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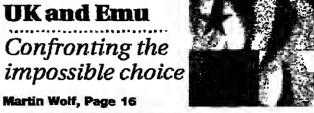


The Octavia Skoda's drive upmarket



UK and Emu Confronting the

Martin Wolf, Page 16



Lowering the Stars and Stripes

Frigidaire

Survey, Pages 11-14

frontal

assault

puts US

in a spin

Mickey Monse, Big Macs, Levi's, Coke - Europe is for ever complaining that its cul-

ture is being overwhelmed by

But at last there is one area

in which European culture

looks poised to triumph - the

Until now, Europeans and

Americans have held sharply

diverging opinions on wash-

ing machine style. Europeans

bave preferred front-loaders,

while Americans have stuck

But now the days of the top-loader may he numbered. Amid growing concerns in the

US about water and energy

conservation - and the loom-

ing threat of federal regula-

tion on the issue - US wash-

ing machine manufacturers

are beginning to switch to the

Last week Frigidaire became

the first US manufacturer to introduce a large-capacity

front-loader to the market.

Maytag, another hig US mann-

facturer, is preparing one for

launch next year, and other

companies are expected to

To Europeans, the US prefer-

ence for top-loaders has always seemed inexplicable.

In top-loaders, an agitator

grabs clothes at the centre of

the tub and pulls them vio-

lently to and fro. while clothes

at the ontside of the tuh tend

to stagnate in a lagoon of

In contrast, the European-

style front-loader has a rotating drum which lifts and

plunges clothes in a tumbling

action, producing a gentler

and more thorough wash. It

Americans, bowever, see

things differently. Filling a

front-loader means hending

down, they say: the top-loader

holds more clothes; and, most

Importantly, cheaper manu-

facturing costs mean top-loaders are about \$200 less than

Still, there is no disputing

Cootinued on Page 18

rinses better, too.

laundry

to top-loaders.

European format.

By Richard Tomkins in

erld Business Newspaper http://www.FT.com

TUESDAY OCTOBER 4 1996

German unions threaten action over contracts

Germany's industrial relations dispute worsened as engineering employers told unions that they want to re-negotiate most fringe benefits in employment contracts. Engineering mion IG Metall responded with a threat to take strike action on a scale similar to the 114-day stoppage in 1956/57, when it secured some of the benefits. Page 18

Eurotunnel fears: Anxieties about the future of Januari tunnel operator Eurotunnel deep-ened after it missed the deadline for a refinancing agreement with its banks and requested the suspension of its shares. Page 19

Olivetti, the Italian information technology group, underlined its serious financial position when it revealed debt had nearly doubled between the beginning of July and the end of August, Page 18

Autoliv in US deal: Sweden's Autoliv and Morton International of the US plan to create tha world's biggest car airbag and seat-belt supplier, with annual sales of \$3bn and more than 40 per cent of the airbag market in the US. Europe and Japan. Page 19; Lex. Page 18

Threat to N Ireland talks: The Northern Ireland peace process appeared close to collapse last night, amid new fears about the loyalist ceasefire after Protestant paramilitary prisoners announced they were withdrawing support for the talks. Page 18

Japan chemicals warning: Falling domestic prices, overcapacity and stiff Asian competition will weaken the credit quality of Japan's chemicals industry in the next three to seven years, Moody's, the credit rating agency, warned, Page 19; Pensions warning, Page 22

Russian Communists celebrate win: Russia's Communists celabrated a victory in weekend elections in the St Petersburg region. raising concerns that the Kremlin's grasp on the Russian provinces could be weakened in several regional polls due later this year. Page 2

Meat-eaters tax proposed: A leading US environmentalist has proposed a tax on eating ment as a way of releasing urgently needed grain supplies for direct human consumption.

Tokyo opens up telecoms competition: Japan's telecom authorities have opened the Rition with the licer sing of cable TV company Titus Communications to offer telecom services for the first time.

EU birth rate hits post-war low: The birth rate in the 15 European Union states dropped to 1.43 children per woman, its lowest since 1945, down from an average of 1.5 during 1990-94.

Swiss vote for Mazi review: Switzerland's lower house of parliament voted for a sweeping study of Swiss financial dealings with Nazi Germany and the fate of Jewish wealth deposited before, during and after the second world war.

Australian shooting 'not guilty' plea: Martin Bryant, the man accused of Australia's worst mass killing, pleaded not guilty to 35 counts of murder in a Tasmanian court following the massacre in April at Port Arthur.

Appendix operation for Pope: Pope John Paul II will enter hospital next week for surgery to remove his appendix. It will be his sixth period in hospital since his election in 1978.



British prime minister John Major welcomes his Pakistani counterpart, Benazir Bhutto, to his official residence at 10 Downing Street, Ms Bhutto is on a two-day visit to tha UK before travelling to Washington to discuss reviving payments on a \$600m International Monetary Fund loan. Bhutto positive on Taliban, Page 7

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Washington dismisses Palestinian call to delay Mideast summit

US pushes on with peace talks

By Judy Dempsey in erusalem, Sean Evers in Calro and Lionel Barber in

The US pledged yesterday to press ahead with a crucial summit on the Middle East peace process despite calls from the Palestinian and Egyptian leaders to postpone it until there was a clear agenda.

The White House dismissed the appeals from Mr Yassir Arafat, the Palestinian leader, and Mr Hosni Mubarak, Egyptian president, to delay the summit with Mr Benjamin Netanyahu, Israeli prime minto break the cycla of violence, brief visit aimed at winning

we need a re-engagement of the parties at the highest level. and a delay is not going to produce that."

The Washington summit was called on Sunday by President Bill Clinton in a desperate attempt to save the Middle East beace process, amid warnings by the Arab world that the region could be thrown into a new era of instability with repercussions for the international community.

Mr Dennis Ross, the senior US co-ordinator for the Middle East peace talks, said he expected Mr Arafat to attend. Mr Arafat was last night en ister, saying: "If we are going route to Luxembourg for a

European support before deciding finally whether to attend to the summit. Those invited the summit, provisionally scheduled to start today.

Under French pressure, the Irish presidency of the European Union issued a lastminute invitation to Mr Arafat to hold talks with EU foreign ministers. The gesture reflected frustration that the EU has failed to become a heavyweight broker by exploiting its role as a significant paymaster in the US-dominated Middle East peace process. Almost three quarters of the aid to the Palestinian territories comes from the EU.

Several EU governments were irritated when Mr Clin-

included King Hussein of Jordan and Mr Mubarak, who last night confirmed he would not

Earlier in the day, Mr Arafat anxious to extract concrete results from the summit, in particular a timetable for the long-delayed redeployment of Israeli troops from the West Bank town of Hebron - met Mr Mubarak in Egypt.

Mr Muharak bad blamed Israel for not implementing the 1995 Israeli-Palestinian agreement as well as its refusal to close a controversial tunnel exit in the old city of Jerusalem. This sparked last

week's violence between Israeli troops and Palestinians. Israel vesterday indicated it would not compromise on the tunnel and insisted it would not reward Palestinian violence. However. Mr Netanyahu last night showed the first signs of compromise over the Hebron issue. In Amsterdam on his way to Washington, he said he would propose the two sides "meet right after the meeting in Washington, in a

Arafat's gamble, Page 6:

location to be determined, to

engage in continuous negotia-

tions until agreement is reached [over Hebron]".

Editorial Comment, Page 17

Shake-up likely if Alcatel wins Thomson bid

By Hugo Dixon in London

Alcatel Alsthom, the French telecommunications and power group, plans to shut Thomson Multimedia's US factories if it is successful in its hid for the company. It would shift production to Thomson's facilities in Mexico, where workers are

The French government is expected to decide by mid-October whether to sell Thomson SA to Alcatel or Lagardere, the French defence and media group. Thomson con-Multimedia (TMM), a consumer electronics company; and Thomson CSF, a defence manufacturer.

Alcatel's plan would be part of an effort to turn around the loss-making group. Alcatel also intends to rationalise TMM's six brands in Europe to cut the cost of marketing and support. One option would be to use RCA, TMM's main US brand, as its brand for Europe.

Alcatel is also considering whether to manage Thomson Multimedia from France. One possibility would be to run the company from the US, given that most of its sales are there. If Alcatel wins the contest for Thomson, it intends to sell a majority of TMM to a partner specialising in consumer electronics. The group would then not be required to consolidate all of TMM's FFr14bn (\$2.76bn) in debts on its balance sheet. Alcatel expects to press ahead with TMM's restructuring immediately if it wins the

Thomson battle on the

grounds that it would be important to cut costs rapidly. Executives do not know how long negotiations with partners would last and helieve that prospective partners would not object. Although Alcatel does not

wish to manage TMM in the long term, it helieves there could be value in staying as a minority partner. This is partly because it thinks TMM has a strong position in digital consumer electronics products - such as pay-television decod ers and digital video discs sists of two parts: Thomson for which demand is expected to grow.

As part of its bid. Alcatel has asked the French government to recapitalise Thomson by writing off some of its debts. But this is not expected to be sufficient on its own to make TMM a viable concern.

If Alcatel is successful in huying Thomson, it plans to acquire the minority of Thomson-CSF, which is not owned hy the French state. This would be done by offering shares rather than cash.

Alcatel would then expect to put Thomson-CSF into a joint venture with another Euro pean defence electronics group. Britain's GEC-Marconi is the favoured partner.

Alcatel executives believe there could be big savings from combining the two businesses. They say they would be surprised if 20 per cent of the combined FFr12hn annual research and development hudget could not be cut.

march yesterday through the streets of Paris in protest against government plans to cut more than 2,000 education johs. Hundreds of schools mainly primaries - were closed as similar demonstrations took place in other parts of the country. New head for French unemployment fund. Page 3; German industrial Lex, Page 18 unrest, Page 18.

Thousands of French teachers

WITH A MASTER'S TOUCH AND THE TEST OF TIME

Setback for ABB as \$5.5bn Malay dam deal is delayed

By James Kynge in Kuala Lumpur and William Hall in Zurich

Tha signing of a contract to build a \$5.5hn hydro-electric dam in Malaysia was postponed for the third time yesterday, the latest setback in the country's ambitious plans to build what would be southeast Asia's higgest dam.

No new date has been set for the signing ceremony to award the construction contract to an international consortium led by ABB, the Swiss-based inter-

ABB is confident the project, the biggest in its history, will go ahead. The contract is infrastructure projects. But important because of its size -ABB will account for over half the total value - and also because the company believes him mild embarrassment. The it will be a showcase for its project, which is being huilt advanced technology in deep in the forests of eastern coverage.

Leader Page

*echnology

Aras Guide

World Track News ...

Assa-Pacific News

long-distance power supply.
ABB expects to be notified "within a few days" on a new date for the signing ceremony.

Ekran the Malaysian company managing the building of the dam, yesterday declined to comment on the delay. News of the postponement pushed Ekran's shares down 1.82 per cent yesterday to M\$10.80 (US\$4.3), following a 5.2 per cent fall on Friday.

The fall came amid speculation that Mr Ting Pek Khilng. the company's executive chairman, is falling out of favour national electrical engineering with Dr Mahathir Mohamad, the prime minister. The Malaysian leader is a

firm supporter of prestige yesterday's development is the latest in a series of setbacks for the dam, which has caused

CONTENTS

LORDON - LEEDS - PARIS - FRANKFURT - STOCKHOLM - MADRID - NEW YORK - LOS ANGELES - TOKYO - RONG KOHO

Europe

Malaysia's Sarawak state, has provoked intense environmental protests. Dr Mahathir may press for a

rapid solution and analysts say the latest setback is unlikely to scupper the project. It has recently emerged that

that Mr Ting is at odds with a Sarawakian politician - Mr Wong Soon Kai former president of the Sarawak United Peoples Party (SUPP) - who is known to be a close associate of Mr Mahathir

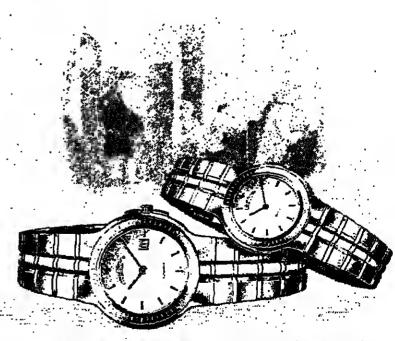
At the weekend Mr Ting said that three Sarawak newspapers partially controlled by him were heing unfairly blamed for the unexpected election defeat of Mr Wong. The SUPP, part of Malaysia's ruling coalltion, Barisan Nasional, recently called on its members to boycott the three newspapers because of what it called unfavourable election

Parama

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Russian Communists hail upset win in regional poll

Russia's Communists yesterday celebrated an upset victory for their candidate in weekend gubernatorial elections in the St Petersburg region. raising concerns that the Kremlin's grasp on the Russian provinces could he weakened in a spate of regional polis due later this year.

Bnt the Moscow-backed governor of Rostov, an agricultural region in southern Russia, kept bis job in a simultaneous Sunday ballot, making it difficult to see a clear pattern.

Altogether, Russia is electing 52 governors and 32 mayors in an exhausting round of regional voting which will bring democracy at a local level for the first time ever to many provinces. Of the four gubernatorial ballots held so far. Communist-backed candi-

bent local leaders, backed by President arrears and shortages of fuel for beat-Boris Yeltsin's administration, have beld on to their posts.

The Communist performance has been stronger than many government aides, still savouring their landslide victory in the July presidential race, had expected at the start

"They are stronger not only than my own predictions but than the predictions of the Communists themselves." said Mr Sergei Markov, a political scientist at Moscow State University. Political strategists attribute this in part to worsening economic conditions in many Russian regions.

"The closer we get to winter, the better the results will be for the Communists," said Mr Alexei Sitnikov, president of Image-Kontakt, a political consultancy which helped the re-elec-

dates have won two, while two incum- tion of Rostov's governor. "Wage ing cannot fail to influence the election results."

Analysts also believe that growing political uncertainty in Moscow wbere Mr Yeltsin's beart problems have set off a covert struggle for power among his would-be successors - could hurt the Yeltsin team's performance in the regions. Mr Sitnikov said Moscow intrigues were already being played out in the provinces, where Kremlin rivals bave begun to back their personal protégés, rather than uniting behind a single pro-Yeltsin candidate.

Some observers also balieve the Kremlin infighting may be a distraction for Mr Anatoly Chubais, the president's chief of staff and head of the government's overall campaign.



Communist leader Gennady Zyuganov at a press conference after the poll results. He called on Boris Yeltsin to step down because of his ill health

Spin doctors take leaf out of Machiavelli's book

lored navy suit, constantly ringing nalm-sized mobile telephone and unbeatable Kremlin connections. Mr Viacheslav new species. As one of the Nikonov could pass for one of the brash bankers spawned by Russia's wild Nikonov represents the

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ith his smartly tai- lurch into capitalism.

Instead, the grandson of Stalin's foreign minister belongs to another of post-Communist Russia's exotic country's most plugged-in political strategists, Mr nascent breed of full-time professional campaign managers who are the foot-soldiers of Russia's democratic

revolution. Most of Russla's selfdubbed political strategists or consultants cut their teeth on the elections of the Gorbachev era, which, for all their restrictions, were the Soviet Union's first taste of democracy. By this year, they had learned enough to help spin President Boris Yeltsin from single-digit approval ratings in January to a strong re-election victory over his Communist challenger in July.

Now they are turning their skills to the autumn marathon of regional elections, in which voters from Kaliningrad to Kamchatka are selecting 52 new governors and 32 new mayors.

As he usbers an anxious governor facing an electoral battle in late October into his white-walled office, Mr Nikonov explains that Russian political life has today the towns and cities of Rus- organisational and analyti-

Chrystia Freeland on how full-time campaign managers are prospering in the rough and tumble of post-Communist polls

become more exciting than sia's black earth region dishis first love - the massive, covered that the relatively highly polished machine of

US politics. "Our life is totally unpredictable. Can you say what will happen in six months?" asks Mr Nikonov, who wrote his PhD dissertation about tha US Republican party and peppers his conversation with references to US political history. "That's why l stopped being involved in American politics and became involved in Russia. US politics is too boring."

Russia's new political professionals have certainly brought a creativity and sophistication to the nation's once monotonous politics which many western campaigns would envy. Consider the tactic which

Mr Alexei Sitnikov, presideut of Image-Koutakt, a Siberia-hased political consultancy, used to persuade the voters of southern Russia's traditionally pro-Communist "red belt" to back Mr Yeltsin this summer. When they walked into

their local shops one sunny Saturday morning, voters in ting it together was an

rich variety of consumer goods available after five years of market reforms had been replaced by the dismal subsistence supplies of the Soviet era: bread, vinegar, salt, matches and a few dusty jars of jaundiced conserves. Above the empty display cases signs warned: This is what you will get if you vote for the Commu-

To add verisimilitude, some stores aven offered to sell goods at Soviet-era prices - less than 1 per cent of today's inflation-hit rates - to customers who could produce their old ration cards. Mr Sltnikov says it was an offer many elderly ladies took advantage of. stocking up on bread for less than a penny a loaf.

Even with this steep discount, Mr Sitnikov says that what was dubbed "Operation Empty Shelves" was an effective wake-up call for voters with rose-tinted memories of the difficulties of life under communism. But put-

"First, we had to do studies to see if such an

action would antagonise the population. And then we had to convince all tha private merchants to take part," Mr Sitnikov explains. "Imagine how much money they lost hy taking their goods off the shelves for that day. But, in the end they agreed to do it because they didn't want tha Communists to win."

professor of psychology, has also come up with a response to the negative campaigning which Russian politicians employ with even more zeal than their western counterparts. When one of his clients, the mayor of a big Siberian city, was accused of having built himself a lavish country dacha with pilfered govarnment funds, Mr Sithikov's team responded by belping a reporter paid off by the opposition - a standard Russian political practice - to find the address of what was sup-

Mr Sitnikov, a 34-year-old

posedly the mayor's dacha. Only after the photographs of the luxurious rural manse had been published did Mr

Sitnikov's team produce the actual owner of the dacha, a man who shared the mayor's surname hut was otherwise unconnected with him.

Clever strategies like this are also the province of another one of Russia's leading consulting firms. Niccolo M. named in honour of Niccolo Machiavelli, the Renaissance ploneer of professional political advising.

Housed in a cramped Moscow apartment with five packed into a single room, Niccolo M is the brainchild of a group of former Soviet academics who have transformed their theoretical research into one of the country's best-known campaign organisations.

For would-be leaders who cannot afford personal service. Niccolo M has followed the example of Machiavelli himself, whose profile adorns the company's business cards, and published guidebooks to a successful political career. One of them, "Imidzh Lid-

era" (Image of the Leader). urges modern-day princes to model themselves on a his-

with religious organisations, and to vanish periodically in order to test the reaction of their subordinates. It is the sort of advice which Mr Yeltsin himself appears to have taken to heart. He has been in seclusion for three mouths, has taken to frequenting churches after a

life of atheism, and has

recently been compared to

Peter the Great by his chief of staff. Yet for all their admiration of one of the west'a most notoriously ruthless political theorists, the strategists at Niccolo M are guided accessory-loaded computers by one strict ideological precept - they do not work for hardline Communists. It is a rule obeyed by all of Russia's

> top political strategists. Even Mr Nikonov - named after his grandfather, Viacheslav Molotov, who was one of Stalin's leading henchmen for a time - is a committed opponent of Russia's Communist party.

Backed by the financial muscle of the nation's new business class and the brain of this new breed of professional politicians, the Kremlin elite whom Russians refer to as "the party of power" seem likely to remain in charge for some time to come.

presidency of settled meets in Sarajevo

By Laura Sliber in Serajevo

Bosnia's new joint presidency met yesterday at a Sarajevo motel for the first time since their election earlier this month. The presidency is one of the crucial over-arching institutions aimed at joining Bosnia's two halves, Republika Srpska and the Moslem-Croat Federation, in a loose union.

Mr Alija Izetbegovic, Mos-

wie back Nazi procedus

lem chairman of the presi-

dency, Mr Momeilo Krajisnik, his Serb counterpart. and Mr Kresimir Zubak, a Croat, met alone, according to international officials. There are no aides and sui. ports, no members of the international community there to talk to them. They are starting the first meeting of what is going to be the supreme authority in this country," said Mr Michael Maclay, spokesman for Mr Carl Bildt, international

envoy to Bosnia Under tight security, Mr Krajisnik, who drove down from Pale, his mountain stronghold, and Mr Zubak were the first to arrive. Mr Izetbegovic, presidency chairman after narrowly defeating his Serb rival in the September 14 general alections, arrived an hour after the meeting was scheduled to begin.

He had been in talks with international officials who had spent the past fortnight in frustrating efforts to get the three parties to agree on an agenda and venue including problems with time zones when the part of Bosnia under Moslem control on Sunday set clocks back and forward again.

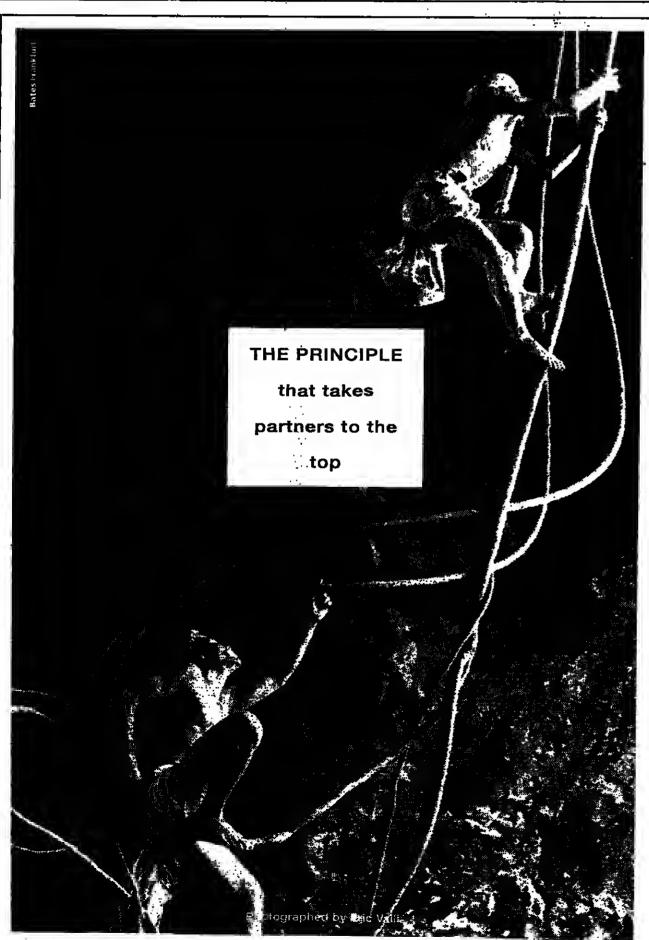
The row over the location cast doubt on hopes voiced by diplomats that from now on the parties could decide their own agenda - and itm their own country.

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Mr Bildt later cautioned that there were no guarantees the agenda he had put forward for the meeting would be followed.



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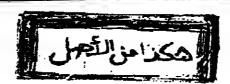
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Bosnia's presidency. meets in Sarajevo By Laura Silber in Sarajero

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AY OCTOBER 1 1986

ELFOPEAN NEWS DIGEST

EdF president row settled

compromise has been reached in the row over the Streamy by Mr Edmond Alphandery, president of the description of the world's largest electricity producer. The findustry ministry reversed Mr Alphandery's attempt to satisfies the number two job of chief executive, abolish the number two 100 or chief executive, approunding the appointment of Mr Pierre Daurès as chief pascutive of the state-owned utility.

Applicative of the state-owned many.

The Alphandery recently proposed a sweeping regarder involving the shift of the current number regarders. Afternational, and this demotion of several of his subordinates, among them Daures. This triggered law suits by EdF executives and unions, who accused him of illegally concentrating too much power in his own hands.

But Mr Alphandery has won his argument that he should at least name the number two, who until now has neen appointed, like the EdF president, directly by the French government. The row had threatened to aggravate already tense industrial relations between the EdF president and the unions. David Buchan, Paris

Swiss back Nazi probe

Switzerland's lower house of parliament yesterday voted for a historical study of Swiss financial dealings with Nazi Germany and the fate of Jewish wealth deposited before, during and after the second world war.

The Netional Council endorsed a decree put forward by the cahinet, sending the measure for final approval to the imper chamber of parliament. The 162-0 vote indicated final approval was likely.

The decree creates a commission of experts empowered to lift tight bank secrecy rules to establish an account of Swiss commerce with Nazi Germany. It will also review now much wealth was deposited with Swiss banks and other financial companies by Jews and other victims of Nazi persecution and whether the Swiss have done enough to identify the lost assets. The commission could start work as early as April.

Turkey to meet Libya on debt

A tesm of Turkish trade officials headed for Libya yesterday ahead of the visit this week by Mr Necmettin Erbakan, Turkey's prime minister, to secure Tripoli's outstanding debts of up to \$365m to Turkish hullding contractors, government officials said.

The treasury and foreign trade officials will begin talks with Libyan officials on ways to speed up payment of the Libyan debts, mostly for projects completed before 1990,

A government spokesman told a news briefing that Mr Erbakan was expected to meet Mr Muammer Gadaffi, Libya's leader, this weekend. The meeting is part of Mr Erbakan's six-day trip beginning tomorrow that includes Egypt and Nigeria.

Mr Erbakan's talks with Libya are also expected to dwell on boosting bilateral trade, which rose to \$623m in 1995 from \$498m a year ago.

Simitis heads for Cyprus

Mr Costas Simitis, Greek prime minister, heads for Cyprus today - a week after reshuffling his government signalling the priority given by Athens to the divided

Mr Similis is expected during his visit to reiterate tha European integration for Cyprus is a "very important political choice" and that his government "will work towards it with all its strength", the official said.

The premier chose to kick off his two-day visit on the day the island celebrates its 36th year of independence. Mr Simitis, who was elected head of government by the socialists in January, legitimised his position when his Panhellenic Socialist party (Pasok) won the September 22 parliamentary elections. AFP, Athens

Estonia steps up sell-off

Estonia will reorganise its state companies into joint-stock or holding companies and sell majority stakes or daughter companies to investors, the Estonian Privatisation Agency (EPA) said yesterday.

The Idea was to sell stocks rather than assets to make the privatisation flexible, said General Vaino Sarnet, EPA director. Having sold off many of its industrial companies. Estonia is now engaged on the sale of large companies such as Estonian Energy, Tallinn Port, Estonian Railways, Estonian Oil Shale and Estonian Telecom.

Mr Andres Lipstock, economics minister, said the privatisation programme for Estonian Oil Shale and Estonian Emergy must be signed by November 1 and the other companies had to complete their plans by next

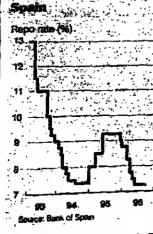
Denmark's GDP rises

Denmark's gross domestic product was 2.2 per cent higher in the second quarter than the same period last year, taking first half growth to 1.6 per cent, the Office of

Statistics said yesterday. GDP was 1 per cent up on the first quarter after e 0.6 per cent rise in the previous three months. The main factors driving first half growth were export demand, up hy 3.1 per cent, private consumption, up 2.5 per cent, and gross fixed investment, up 5.4 per cent. Imports, however, increased by only 0.7 per cent. Hilary Barnes, Copenhagen

ECONOMIC WATCH

Spanish rate cut expected



The presentation of a tough Spanish hudget, aimed at meeting targets for the European single currency, has raised expectations of a cut in interest rates by the Bank of Spain later this week. Analysts expect the central bank to reduce its benchmark rate at its regular auction on Thursday by up to half a point from the current level of 7.25 per cent, set in June. Mr Rodrigo Rato. economy and finance minister, said yesterday that the government believed it had "fulfilled its

obligations" on reducing inflationary pressures through

But he emphasised that it respected the Bank of Spain's independence in reaching its decision. An interest rate cut would ease the Pta3,478bn (\$27.8bn) debt-servicing burden forecast in the 1997 budget sent to parliament yesterday, a 1.9 per cent increase over this year.

Under the budget forecast. Spain's public debt is set to start declining as a proportion of gross domestic product, 67.5 per cent this year to 67.2 per cent. However, this would still be above the 60 per cent target level set for

European monetary union. Mr José Folgado, state secretary for the budget, said the total stock of debt would increase by around Pta2.000bn to Plass 600km. The government sees the country qualifying for the other single-currency criteria of budget deficit. David White Medrid inflation and interest rates.

NEWS: EUROPE

CDU aiming for 35% top tax rate

By Peter Norman in Bonn

The Christian Democratic Union led by Chancellor Helmut Kohl is aiming for a top income tax rate of about 35 per cent compared with 53 per cent at present as part of a far-reaching reform of Germany's tax system, a senior member of the party said yesterday.

Mr Hans-Peter Repnik, the party's deputy leader in the Bundestag, the lower house of parliament, said Germany's present income tax system was too complex. lacked transparency and was socially unjust. Giving e first indication of CDU plans for

take effect on January 1 1999, he said an initial tax rate of under 20 per cent was needed compared with 25.9 per cent-at present.

Although the issue of tax reform has hogged the headlines in Germany since the early summer, the CDU was silent about its plans until yesterday. The top and bottom tax rates mentioned by Mr Repnik at a tax conference organised by the party were at the lower end of expectations and show that Mr Kohl intends to make tax an important part of the campaign to re-elect the

an "ambitious reform" to in the general election in broadened and the tax syslate 1998. Mr Repnik said the party's

tax plans would send a "strong signal" to foreign investors that had been avoiding Germany hecause of its high tax rates. Mr Wolfgang Schäuble, the leader the CDU and Christian Social Union parties in the Bundesiag, added that the reform would hoost investment, growth and jobs.

Earlier, Mr Theo Waigel, the finance minister and CSU leader, told the conference that Germany needed a "decisive breakthrough" on tax reform. Tax rates had to present governing coalition be lowered, the tax base

tem simplified, he said. But Mr Waigel was less

specific than Mr Repnik in government aimed detailing future tax rates. The minister said the top rates for income and corporation tax should he cut "massively" so that Germany could compete with foreign countries where top rates were between 35 per cent and 40 per cent.

"marked" cut in the initial tax rate without specifying a The minister held out the

He also called for a

prospect of a DM20hn to DM30bn (\$13bn to \$19.7hn)

would cut taxes by between DM80bn and DM90bn, the to finance much of this by elim-

ination of tax breaks. "There can be no taboos," Mr Waigel said. "There will be tough discussions and hard decisions."

Mr Waigel's lack of precision over tax rates yesterday was a sign that he needs to balance more interests than the CDU in the lengthy process of bringing income tax reform to a successful conclusion

The CDU is due to make the issue e main theme et its net easing in the tax burden. annual conference in Han- put to the cabinet.

While reduced tax rates over later in October. The resolutions passed there will influence the work of a commission of politicians and tax experts being chaired by Mr Waigel due to agree the outlines of the government's tax reform programme by the end of this year.

> The government proposals will turned into a draft bill by the finance ministry next year and discussed with husiness lobbies, the trade unions and the Christian churches, which will be involved because they are financed through taxation. Only after these consultations will proposals will be

New head for French unemployment fund

By David Buchan in Paris

The French employers' federation yesterday voted in a moderate union leader. Mrs Nicole Notat, as the head of the country's Unedic unemployment insurance committee. The move could push her defeated rival, Mr Marc Blondel, into stronger protest action on jobs and hudget cuts.

Mr Blondel, head of the Force Ouvrière federation

and a prime organiser of last December's public sector strikes, complained that the government had unfairly twisted employers'

arms to vote against him. Employers have the same number of seats on Unedic as the unions, but their bloc vote gives them the power of decision over France's chronically divided unions in picking a new president for Unedic every two years.

sion. Some employers and government officials thought it better to corral the PO leader inside the system than have him as a loose cannon outside, and because he had toned down his rhetoric.

But Mr Blondel now has little to lose by confrontation, with the FO having earlier this year lost its 29year chairmanship of the Mr Blondel's defeat had health insurance scheme -

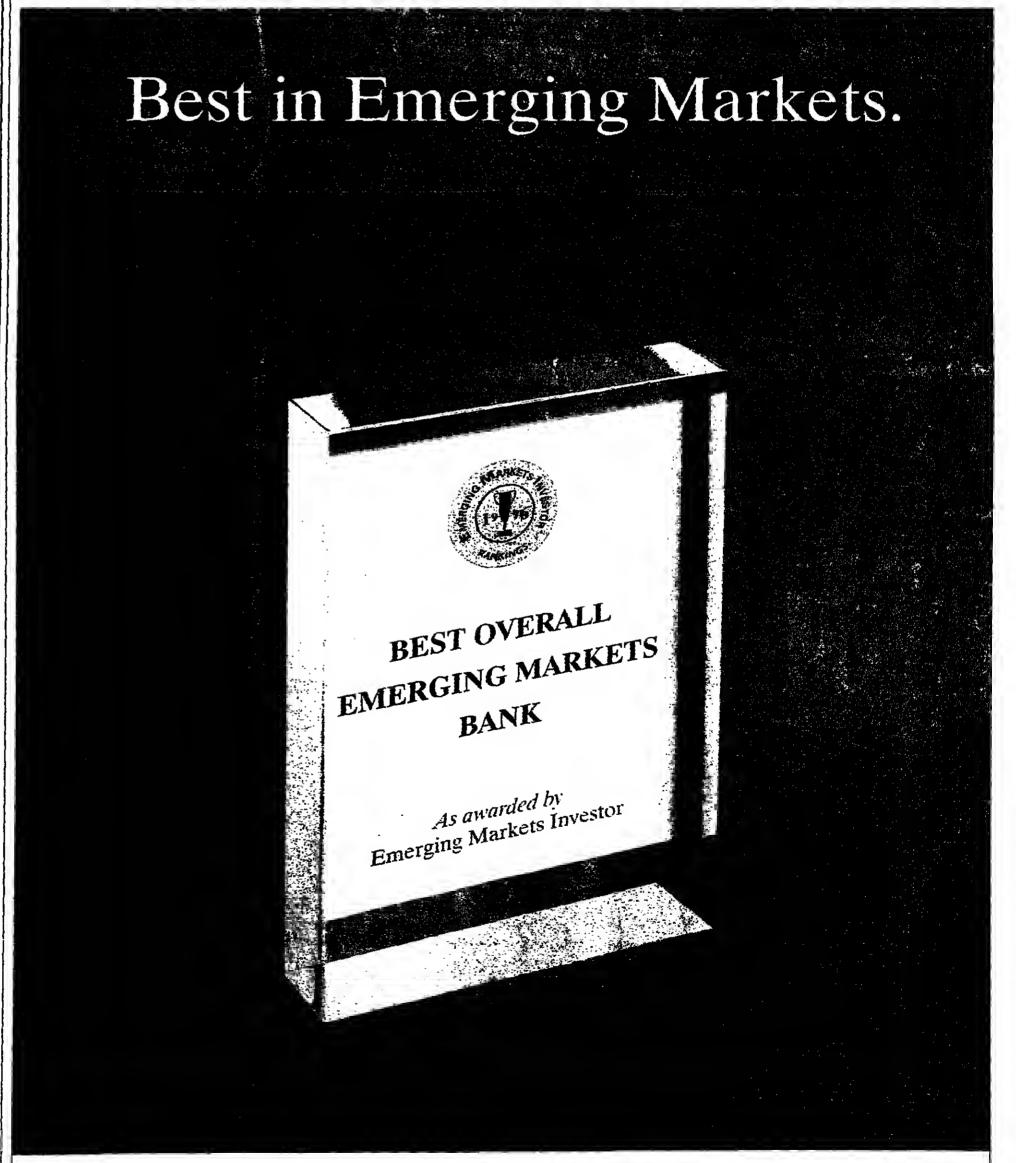
French welfare state which is co-managed by employers and unions. In contrast to the FO and Mrs Notat's CFDT federation, the country's third hig union federation, the pro-Communist CGT, has stayed, or been kept, outside the social security administration.

As the Unedic decision threatened to radicalise FO. around half the country's state school teachers held a

another division of the one-day strike yesterday in protest et planned joh cuts in the 1997 budget. The edncation ministry said the strike hit primary more than secondary schools, reflecting the fact that the axe is to fall mainly on primary teaching jobs, because of declining pupil numbers.

The government is struggling to prevent record nnemployment, which reached 12.6 per cent in August, translating into

record unpopularity with sketched out a long-prepared welfare reform, directed at the chronic job-less. Its chief feature would be to get regional governments to create some 300,000 new "local initiative contracts" spread over the next five years and financed largely out of existing social security allowances - thus partially replacing welfare



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ING BARINGS

ING BANK

Coke's plan sets Budapest alight

Coca-Cola is to challenge a decision by Hungary's historical monuments office to reject its offer to wrap Budapest's oldest bridge in bright red and green decorations this Christmas, writes Virginia Marsh in Budapest.

The US soft drinks producer had offered to pay for cleaning and decorating the city's landmark Chain or Szechenyi Bridge that links Buda and Pest, the two halves of the city, and to put a large Christmas tree and lights in the square at its western end for a mouth each December for the next three years.

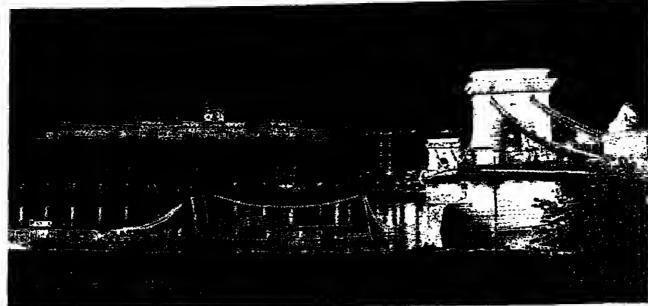
The decorations - which would be mounted by Tungsram, General Electric's local light bulb subsidiary - would be free of Coca-Cola logos but the company would organise promotional events in the area.

The bridge was built between 1838 and 1849 by Adam Clark, a British engineer, on the instructions of Count Istvan Szechenyi, a 19th century leader and admirer of Britain's industrial revolution who was known as the "Greatest Hungarian" for his efforts to modernise the country. The story goes that the count ordered the bridge after bad weather prevented him crossing the Danube by boat to visit his dying father in Pest.

Coca-Cola's offer has split the city. The city council accepted the proposal two weeks ago, only to have it rejected by the monuments office. The council says Christmas decorations of this kind are popular but that it has no money for lavish displays.

To strengthen its case, Coca-Cola commissioned an opinion poll which showed that 64 per cent of the capital's inhabitants supported its plans. But most of the mainly elderly callers to a local radio show at the weekend agreed with the monuments office decision, railing against what they regarded as an attempt by a foreign company to use a historic landmark for commercial purposes.

"These companies are in the wrong," Mr Csaba Bende, department director at the office, said yesterday. "They just don't understand what this bridge means to the Hungarian people." Whatever the outcome, however, Mr Bende admitted it bad been a clever advertising move by Coca-Cola. "They've got the whole city talking about it."



Budapest's historic Chain bridge was the first permanent link across the Danube between Buda and Pest

Hungary delays power sale

Mr Tamas Snchman. Hungary'a newly appointed industry minister, said yesterday that the sale of the country's main electricity company would only proceed next year, not this autumn

as originally planned. The privatisation of MVM has been held up by a bitter dispute over energy pricing and by delays in adopting a

of the sector but now com-Hungary's Socialist-led prises the national grid and Hungary's sole nuclear

Talks over the price rises, which are deeply unpopular at a time of falling real wages, were continuing last night between Mr Suchman and the western utilities which last year paid nearly \$2bn for stakes in local elec-

nuclear energy law. Until the first large energy sector last year, MVM owned most privatisation in the former East Bloc.

> cabinet bad promised to raise prices twice this year and to move to a cost-reflective price system with a guaranteed 8 per cent return 1997. However, in August it make this year's second price rise, which had been

review pricing proposals made by its own energy office. Mr Suchman said the review would be completed

this month. The utilities and the country's energy office say double digit price rises are for energy companies by required to fund badlyneeded modernisation work. reneged on its promise to But, in August, the cabinet claimed some of the costs submitted by energy compatricity and gas companies in due today, and ordered a nies were unjustified.

MEPs set to ditch deal on chocolate

The European parliament looks set to ditch moves to allow EU chocolate to be called chocolate even when it contains vegetable fat, prolonging a lengthy battle to remove trade barriers within the Union for such products.

A majority of MEPs are sbortly expected to reject any new definition of chocolate, reflecting the views of eight EU countries that chocolate can only be called chocolate if made with pure cocoa butter.

The vote will further delay European Commission campaign started three and half years ago to find a new definition for chocolate. Lack of common EU rules has led to some member states barring imports of chocolates containing vege-

Union into two camps. On the side opposing any change to the definition are countries such as Germany, France, Belgium, Italy and the Netherlands, which ban the use of vegetable fat as a partial substitute for cocoa butter in chocolates.

The issue has split the

Seven countries ara in favour of change, including Britain, Denmark, Sweden and Austria, which allow the use of a substitute to cocoa

The Commission's latest proposal would allow the name chocolate to be used on all products with up to 5 per cent vegetable fat. Countries would not be forced to allow the manufacture of the chocolate with vegetable fat,

MEPs vote along national lines rather than for political groups," said Mrs Marianne Thyssen, a member of the Christian Democrat bloc in the parliament and rapporteur for the group on the chocolate directive. This

could lead to 404 MEPs vot-

ing against the proposal and

202 in favour MEPs against a change in the definition are unlikely to be swayed by the latest study on the impact of the directive which contradicts earlier claims that it would aeriously damage Third

World cocca bean exporters.
In a study published last week, Dr Kees Burger from the economic and social institute at the Free Univereity of Amsterdam calculated that substituting cocoa butter with vegetable fats would lead to a drop in demand of 33,000 tonnes of cocoa beans, or 1.3 per cent of world demand

Cocoa-producing countries such as Brazil, Ecuador, the Ivory Coast and Ghana have warned that allowing chocolate containing vegetable fat to circulate freely across the EU could reduce total cocoa demand by 60,000 tonnes in tha short term, and 200,000

tonnes in the long term. A No vote in the parliament would not signal the death of the directive. The proposal would go back to the Commission for reconsideration and then to the council of ministers before returning to the floor of the parliament. A deal might finally have to be struck through arbitration between

Austrian tyre workers fight plant removal

By Eric Frey in Vienna

Workers at an Austrian tyre company yesterday threatened to use force to stop its tha plant down. machinery from the plant to another of their factories in the Czech Republic.

The works council at Semperit, a subsidiary of the German tyre company Continental, was reacting to plans by the Hanover-based group to shift half its tyre production from Traiskirchen to the Czech Republic and to make 1,100 of the 2,300 employees in Austria redun-

Continental'e plans have set off a beated controversy in Austria about employment practices by foreign investors, especially German companies. It has become a key issue in the European Parliament election cam-

paign on October 13. The Austrian government has made several efforts to prevent the redundancies, but was criticised by the opposition for not doing anough. Austrian industry experts fear the plant will not be viable at a reduced annual capacity of 2m car tyres and will eventually be shut. Continental dismissed these predictions and cited the 500,000 truck tyres it will continue to make.

Mr Rudolf Neubauer, chairman of Semperit's works council, said he would personally block the removal of equipment and even chain

Management responded by threatening to sack resisting workers and even to shut

ical confrontation could spark violence and deter other foreign companies from investing in Austria. By law, local police would be obliged to assist the removal of machinery, for Continental is the legal owner of the plant. But as the public is nearly united in its support for the Semperit staff, the authorities would probably shy away from any drastic

The Traiskirchen region south of Vienna is economically depressed and offers little alternative employment

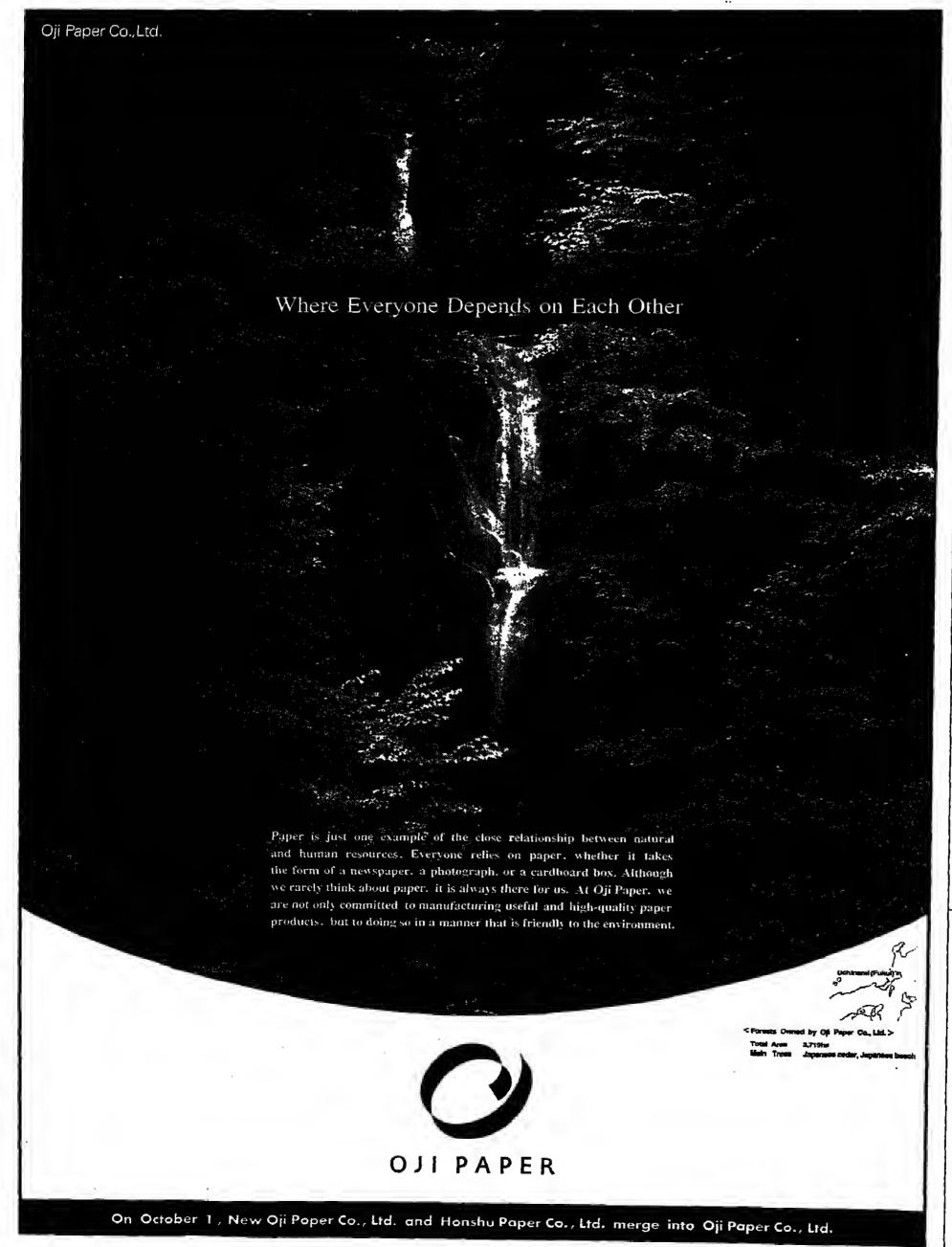
to redundant workers. Once the flagship of Austrian industry, Semperit was nearly bankrupt when acquired by Continental in 1985. But the Traiskirchen plant generated solid profits in recent years, and even some conservative public leaders have suggested that international investors ebould be prevented from putting a healthy enterprise at risk for the sake of even higher profits.

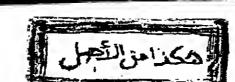
But some economists point out that Semperit's high labour costs and the decline in its sales to Japanese carmakers after Austria joined the European Union in 1995 gives Continental a good reason to move production to lower-cost sites.



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World Trade Editor

Tha European Union is regime - one of its most powerful trade weapons - in anteffort to deal more fairly with cases against exports from China, Russia and central and eastern Europe.

- The move is the first step in a reform drive by Sir Leon Brittan, Europe's trade com-missioner. He wanta to rationalise anti-dumping procedures and gear them more closely to the commercial interests of EU compa-

harming European industry by pricing their products at artificially low levals. The EU can impose heavy duties on offending exporters.

Critics, both in and outside the EU, object that antidumping rules are often applied in a rigid and legalistic manner, which can end up penalising consumers and businesses in Europe, as well as foreign exporters.

EU officials say the reforms - some of which may prova controversial with member governments are intended to focus antidumping policy more tightly on unfair competition which genuinely threatens Europe's overall economic

They hope that, by controlling its policy more in southern Europe, are strictly, the EU can discour- likely to object that the more age other countries from far-reaching proposals risk using anti-dumping mea- weakening anti-dumping polsures to retaliate against icy.

European exports. The Com-mission plans three changes

initially: A more selective refining its anti-dumping approach toward exports from "state trading" countries, such as China and Rusata, to permit special treatment of producers which respect market economy principles. The main aim is to avoid penalising European-owned joint ventures in China, the country facing the most EU anti-dumping

■ More discretion and flexibility in choosing hench-The anti-dumping regime in designed to prevent exporters in third countries.

Current methods lead to inflated figures by over-stating exporters' costs. A more liberal policy towards central and eastern European countries. It would give companies subject to EU anti-dumping actions greater freedom to set export prices and make them responsible for verifying their compliance with EU

rules. Later this year, Sir Leon plans a more sweeping reform, which would require anti-dumping decisions to be based on a more rigorous and detailed assessment of economic, competitive and industrial conditions.

The changes do not have to be approved formally by EU governments, But some member states, particularly

LU refines Indian power scheme nears final hurdle

In the wake of the Enron affair, Lisa Vaughan assesses the prospects for another controversial US power plant

the North Carolinabased power company proposing to huild a 1,000-megawatt, thermal power plant in the south-western Indian

state of Karnataka. In common with other private power projects in India. Cogentrix has been bogged down hy politics, India's infamous hureaucracy and increasingly vocal local interest groups, especially environmentalists concerned about the project's sensitive coastal site.

But after four years of intensive pegotiation and planning, a key clearance for the \$1.1hn project was awarded last week. This leaves only one hurdle cahinet approval. which involves granting a federal government counter-guaran-

Cogentrix deal hecame a high-profile case after a \$2.5bn power project hy US company Enron, last year's most high-profile for-eign investment scheme. was rejected by Maharashtra

be finishing line is in state and later renegotiated. sight for Cogentrix. The off-again, on-again Enron project, approved in July and partly huilt, is currently stalled in a Bombay court.

> The Mangalore Power Company (MPC), being promoted by Cogentrix and China Light & Power (International), is one of several fast-track private power projects at the beart of India's five-year-old ecocomic liberalisation programme.

> Mr P. Abraham, power secretary, said India's new United Front government had given assurances that it would issue counter-guarantees promising to pay the generating companies if state electricity boards default on seven fast-track projects including Cogentrix.

> "It (the counter-guarantee) should now be given very soon," Mr Abraham said. While the government had failed to meet thepromised September 30 deadline, he said he expected the counterguarantee to be in place this month.

Ron Somers, a



vice-president of Cogentrix and managing director of the Mangalore Power Company,

said the clearance was good news but the project was not yet out of the woods. Once the counter-guarantee was granted, the deal could he financially closed. But the financiers would not provide country. funds until transmission lines for taking power from the project site were ready,

he said. The obstacles for Cogentrix have been environmeotal ones, closely linked to the rapid pace of industrialisation and economic growth in the district where the plant will be sited, Dakshina Kannada.

Listed by the United Nations as a valuable hiodiversity area, Dakshina Kan-



Cogentrix says its plant will be India's cleanest

lands, a wealth of plant and animal species, and a coastline which provides a livelihood for 400,000 fishermen. With a highly developed private education system, the district has one of the highest literacy levels in the

Mr Ron Somers, Cogentrix vice-president and managing director of the project, says one of the project's problems was bad timing. It landed on the scene just after an oil refinery move into the area with little regard for local residents and the environ-

The MPC proposal acted as a catalyst for people's concern over the changes taking place, and was opposed by fishermen's and environmen-

nada hoasts richly forested tal groups trying to save the area from reckless development. A well-known environmental activist and socialist Janata Dal party MP. Mrs Maneka Gandhi, has also heen a severe critic. Said to be frustrated at not baving heen made environment intensive campaign to minister in the new 13-party involve the local community coalition government, she challenged the MPC project and others in the courts on environmental grounds. Prime Minister H D Deve Gowda, former chief minister of Karnataka and a strong Cogentrix backer,

> the project. Mr Somers defended the

ejected her from the party

this summer for disrupting

concerns and we're doing that. We've practised standards of transparency that you would want to see if it was coming up in your own backyard."

MPC has pulled out all the stops to make the coal-fired power plant the cleanest in India – even down to importing efficient, low-ash coal from South Africa and Australia. Its plans to minimise the plant's environmental impact include a huge desalination project and state-ofthe art methods of reducing ash, air, water and noise pol

lution, Mr Somers said. After meeting 26 state government and 19 central government conditions, the project was given its environmental clearances early this year.

Cogentrix launched an in all stages of the project. Once approved, the first action will be the resettlement and rehabilitation of 239 families losing their homes. Job training, upgrading local schools, scholarships, and employment are part of the package.

But with the area despe ately needing electricity, businesses warn they will company's approach to the take nower from far more environment. He said: "It is polluting sources if MPC our duty as a company to does not win approval,

moval

tyre . Cable operator breaks into Japan telecoms

Japan's telecom authorities have licensed a cable TV company to offer telecom services for the first time, in a move that opens the Japanese telecom market to greater competition. Titus Communications, a

joint venture hetween ltochu, the Japanese trading company, Toshiba, the electronics maker, US West, and the Time Warner group, has become the first cable TV company to receive approval to provide telecom services, according to the Ministry of Posts and Telecommunica-

Titus, which began cable TV services in July last year, plans to use its network in three regions near Tokyo to offer services at rates aignificantly lower than those available through domestic telecom companies.

The approval opens the way for further competition in Japan's telecom market, which has long been dominated by NTT, the former government-owned utility. NTT still has a virtual monopoly over the local telephone market and the high access charges it imposes on its long-distance competitors for access to its local network has impeded a fall in long-distance rates.

The lack of competition has kept many telephone sion beginning in January.

services rates at high levels by international standards.

Titns plans to offer long-distance services at rates 15 per cent lower than those currently available and unlimited local calls within a set number of bours for a basic monthly rate, as well as substantial discounts on calls between subscribers.

The extent of its services will initially be restricted to three regions where it has started cable services, but Titus expects to expand its market to include seven other regional areas where it has obtained licences to offer cable TV services.

Titus is negotiating with NTT for access to its local and long-distance lines to provide a nationwide service to subscribers.

The approval of the new service highlights a move by the authorities to introduce further competition in the telecom market, which has been hampered by tight government regulations in addi-

tion to NTT's dominance. The ministry has also moved to establish rules for access to NTT's local net-

work. A special committee set np by the ministry is scheduled to publish a final recommendation on access rules by the end of the year and the ministry aims to achieve an amendment to the law during the next regular Diet ses-

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医阿萨伯氏试验 大大 医生物性肾 医皮肤

Japan 'unfair to US apples' man, the US agriculture sec-By Anne Counsell

in Washington

The US has accused Japan of discriminating against imports of some varieties of American apples, saying the same varieties from New Zealand are encountering no difficulties.

The US has spent years in conflict with Japan over apple imports, and last year won access for Red Delicious and Golden Delicious apples. But Japan is still blocking entry for four varieties -Gaia, Fuji. Brachurn and Granny Smith - questioning whether the pesticide used by US growers to treat cod-

ling moth is effective. Mrs Charlene Barshelsky. the acting US trade representative, and Mr Dan Glick-

retary, have written to Mr Shunpei Tsukahara, Japan's minister of trade, asking why Tokyo is querying the use of methyl bromide pesticide for each variety of apple when the treatment has been proven against the pest itself. "The variety of the product should be irrelevant." the letter said.

The US trade officials said Japan permits imports of the four varieties from New Zealand, "Because New Zealand apples are treated for codling moth in the same way as US apples, we do not understand your reluctance to accept the same varieties of L'S apples." the letter said. The US has given Japan until Saturday to explain why it tests each variety.

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Arafat gambles on Washington summit

If the Palestinian leader comes away empty-handed he will be in trouble at home, writes Judy Dempsey

now in a very difficult situation, according to Mr Mustafa Natsheh, mayor of the West Bank town of Hebron where redeployment of Israeli troops due under the Oslo peace accord is overdue.

Having regained the political initiative over the past few violent days, the Palestinian leader is loath to lose the momentum.

His authority among Palestinians had weakened over the past six weeks when, still giving Mr Netanyahu the benefit of the doubt in his commitment to the peace process. Mr Arafat had refused to support calls for strikes in the West Bank and Gaza to protest against Israel's failure to implement the 1995 Israeli-Palestinian Interim Agreement

What changed last week was the way in which his 30,000 strong armed police force fought for the first time alongsida Palestinians demonstrators. That helped boost Mr Arafat's standing among his people. His ability to instruct his forcas two days later to keep Palestinapart from the Israelimanned checkpoints the West Bank towns and Gaza. showed, for the moment Mr

r Yassir Arafat is Arafat had reasserted his ton's invitation. Not only for the Palestinians and the control and his credibility.

In doing so, he managed to present a united Palestinian front. But Palestinians believe he must now capitalise on these developments if he is to maintain that unity and political initiative.

"He cannot go to Washington and take part in a media event," said Mr Natsheh. If he goee, Palestinians are expecting him to come back with concrete results. Without results I am really afraid that the frustration felt among Palestinians will lead to a very, very dangerous situation and for the international community as well.'

That is Why Mr Arafat flew yesterday to Cairo to try to parsuada Mr Hosni Mubarak, the Egyptian president, to attend the summit called by US President Bill

Mr Mnbarak had tried himself to arrange, in vain as it turned ont, a summit last week during the height of the clashes between Israeli troops and armed Palestinian police.

On Sunday, ha insisted that the Washington summit sbould have a clear agenda, one of the reasons why Mr Arafat besitated at first before accepting Mr Clin-

does he also want an agenda. But Mr Arafat would also have preferred Egypt, the first Arab country sign a peace agreement with Israel. to attend the summit as a counterweight to the Israelis

and the Americans. Failure by Mr Arafat to gain anything concrete from the summit could be his undoing, according to Palestinian analysts. 'It is clear what should be

agreed. There should be a release of all political prisoners, which has been delayed for two years now," said Mr Mohammed Salahat from the Nablus Centre for Palestine Research and Studies in the West Bank. It was also extramely important for both sides to agree to a secure route for Palestinians between Gaza and the West Bank, as well as lift the closures imposed for security reasons by the former Labour government after tha bomb attacks on Israeli civilians last March, and continued by Mr Netanyahu's

"But Israel has got to understand how that security may be achieved. The point is that the longer the closures continue, the worse the economy will deteriorate

Likud-led coalition.

more the frustration will increase. The potential for an explosion is huge," said Mr Salahat.

If no progress was made on these issues it would play into the hands of Hamas, the Islamic movement responsihie for the wave of spicide bombings on Israeli civilians earlier this year, he said. Hamas has always opposed the Interim Agreement and Mr Arafat's acceptance of it. "Palestinians could be radicalised even further. That

must surely worry the Pales-

tinian Authority." he added.

Security has always been one of the planks upon which Mr Netanyahu has placed any progress on implementing the Interim Agreement, a view reinforced by the events of last week. But according to Mr Natsheh, that philosophy almost amounts to a self-fulfilling prophecy in the sense that the dangers to security will increase the longer the peace negotiations remain

"There will be never be 100 per cent security. The Palestinian Authority has been trying to work on this issue. But it cannot work in a vacuum. That is the pressure on



Arafat in Cairo yesterday: reluctant to lose initiative

-san wor World Bank launches fund to cut poor nations' debt



By Patti Waldmeir and Robert Chote in Washington

Mr James Wolfensohn, World Bank president, yesterday sought to capitalise on international momentum behind a deal to reduce poor country debt, by launching a trust fund which will be a central to financing the plan.

Addressing the World Bank's development committee, a joint ministerial committee of the Bank and the IMF, Mr Wolfensohn said his institution would make the first \$500m contribution to the Fund. He appealed for contributions from hilateral donors, and promised further allocations from the Bank's net income in future years. Last week he said the total Bank contribution would be up to \$2bn.

All significant participants in the debt initiative have now approved it and Mr Wolfensohn and Mr Michel Camdessus, IMF managing director, have turned their attention to mobilising the funds to finance the plan.

Mr Wolfensohn emphasised the need for all participants to "bear a fair and proportionate share" of the cost. estimated at between \$5.6bn and \$7.7bn.

"For the plan to work, all creditors, bilateral and multilateral, must be committed to the same objective - to help those countries with sustained strong performance track records to exit from the rescheduling process and reduce their debt to sustainable level," he said.

Mr Camdessus also reported progress toward ssembling the IMF's contribution to the initiative. which it would provide by making its existing subsidised loan facility more generous, rather than paying directly into the trust fund. Speaking after yesterday's meeting of tha IMF interim committee, he said many member countries had The Egyptian government yesterday fufilled a central element in its draft agreement with the . . . International Monetary International business y
Fund by implementing tariff cuts. Sean Evers writes from

Maximum tariffs on goods other than luxuries was reduced from 70 per cent to 55 per cent. Other rates were cut by 10 to 15 percentage points. However, cars will still be subjected to 135 per cent duties, cut from

This has removed the final barrier to the ratification of Egypt's economic policy reforms by the IMF Board on October 11.

pledged to donate funds which they hold on deposit in the Fund's \$1.5bn special contingent account IL, set un to provide resources for countries repaying IMF arrears.

Other elements of the financing package include increased relief from the Paris Club on official debt, as well as from the Trust Fund, which will receive contributions from multilateral development banks as well as the World Bank. Bilateral contributions to that Fund, as solicited yesterday by Mr Wolfensohn. would be used to compensate if multilateral institutions like the African Development Bank are unable to pay their full share.

Mr Wolfensohn, who has provided the main political impetus hehind the debt deal, yesterday promised to proceed with it "immediately." But Mr Kenneth Clarke, the UK chancellor of the exchequer, pressed for flexibility in the criteria used to determine aligibility for debt relief. Relief must be offered "in a realistic timescale." he said, noting that countries which have proved their adherence to structural reform should not, as under current proposals, have to wait from three to six years to receive relief. Debt must be reduced to a "clearly, and not just barely, sustainable level," he said.

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TO LOUIS TO SERVICE

'Tax eating of meat' to boost grain supplies

By Alison Maitland

A tax on eating meat has been proposed by a leading US environmentalist as a way of releasing urgently needed grain supplies for direct human consumption.

The controversial proposal, in a new book hy the Washington-based Worldwatch Institute, is one of several radical ideas for resolving what is portrayed as an imminent crisis in world food supplies as the

population burgeons. The book, Tough Choices, is the institute's contribution to the United Nations World Food Summit in Rome

in November. Mr Lester Brown, author and president of the institute, says world grain stocks may continue to be dangerously low for some time. The only remaining big reserve is the 640m tonnes or 36 per cent of the world grain harvest - which is used as feed for livestock. poultry and fish.

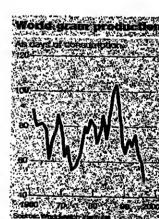
"If the world's affluent cut their consumption of grainfed livestock products by 10 per cent, they could free up 64m tonnes of grain for direct human consumption. enough to cover world population growth for come 27 months." says Mr Brown.

A tax, he argues, would moderate grain price rises which can ba life-threatening for the world's poor. "Such a tax, unpopular though it would be, might be accepted if it became the

price for economic and political stability in the world." Mr Brown's views are based on a prediction that

the world is entering an era of food shortages, as environmental problems such as water and land shortages and global warming put severe constraints on agricultural output.

He is known as a pessimist



in the world food debate: others argue that food production will keep abreast of population growth in most regions over the next 25

Mr Brown clashes with the World Bank and the UN's Food and Agriculture Organisation, contending that their predictions of continued growth in grain ontput have proved too optimistic in the past five years.

Mr Nikos Alexandratoe head of global perspective studies at the FAO, responds that production was disrupted by the break-up of the former Soviet Union, volatile output in the US and set-aside policies in the European Union. But these factors do not detract from FAO expectations of "modest" output growth of 1.5 per

cent a year to 2010, he said. Among Mr Brown'a other suggestions is a "stiff" tax on converting land out of crops. "This would at least force those planning to use highly productive cropland for industrial or residential construction to weigh alternative sites seriously.

Tough Choices: Facing the Challenge of Food Scarcity, Worldwatch Institute, 1776 Massochusetts Ave. NW Washington, DC 20036-1904



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The Philippines: Rizal Commercial Banking

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By Peter Montagon, Asia Editor, in Lidon

OCTOBER 1 1996

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coment with the capations, Wooslan if by implementing tarings, Score Every Willes from

asia should e able to instain its iternational eompetitive sition for some years deste the slowdown in its exerts, accord-ing to a study | China Analyst" economicnonthly. The exportiecline was

cyclical, reflecting weakness hi demand a industrial countries an the dollar's recovery against the year, tries were still enjoying

and should end soon, it said. large gains supported by overdone. Emerging Asian economies, which had become specialised in producing low and mid-tier prodselves out of world markets. While the big burst of pro-

ductivity growth in the more

mature economies showed

signs of having diminished,

less developed Asian coun-

structural problem were and huge injections of foreign capital and technology. "Although wages in Asia have risen quickly on a rate of change basis, their levels ucts, were not pricing them- are far below those of simi-

lar industries in the developed world." As a result, in Japan and Europe. Asia'e rising import penetration of Organisation for Economic Co-operation and Development economies would probably continue.

Worries about a deeper continuing industrialisation Asia and western countries countries. would take decades to close, the study said. In the short run, demand

for Asian exports should begin to increase as restocking continued in the US and ecocomic growth accelerated

Within the region. China and Taiwan had already cut performance. interest rates in response to deflationary pressures, while monetary policies were eas-

That vision, however, was

himself from his radical pro-

têgê. For reasons still not

clear to Mr Takahara, the

man who had been one of

his earliest supporters sud-

gake meeting. When we

were alone he started yelling

at me," Mr. Takahara recalls.

the reason was, but he yelled

at me for 40 minutes, saying

that I had embarrassed him

in front of his supporters

and that he would no longer

Out of funds and demoral-

ised. Mr Takahara has given

up his campaign. Because of

his fall-out with Mr Kan, he

cannot join the new Demo-

cratic party set up hy Mr

Kan and Mr Yukio Hatoy-

ama, former representative

I would be able to campaign

on issues now that we have

a new system of single-seat

constituencies. In my con-

stituency, the policy differ-

ences were clear between the

candidates, but the politi-

the old-fashioned way."

cians are all still lighting in

The treatment he received

was evidence enough that

even the self-proclaimed lib-

eral reformers are "not

united by policy but by per-

sonal likes and dislikes and

has collapsed, the Socialist

party is breaking up and the

liberals are moving to form

an alternative force. But

"the second stage of political

realignment has been a fail-ure because the liberal

forces have not been able to

Michiyo

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align along policy lines."

lamented Mr. Takahara.

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The LDP's one-party rule

a soft liberat mood".

"I was naive to think that

of the Sakigake party.

support me."

"I don't really know what

"I saw Mr Kan at a Saki-

denly turned against him.

tier party.

The gap between wages in ing in most south-east Asian

The risk to Asia's recovery of the dollar against the yen and the D-Mark as US interest rates were raised, the study said, but the impact of exchange rates on Asian exports was less important than that of US economic

expensive, because many

directly or indirectly linked to the dollar, only 13 per was a further strengthening cent of east Asian exports went to Japan. On average, export growth in Asia tended to rise 2-4 percentage points for every 1 point change in US national income growth, it said. *Published by the Bank Credit Analyst Group, Mon-While a higher dollar treal, Quebec, Canada, Telemade Asian exports more phone (514)499-9550, fax

Butterfly Row shatters Tokyo New candidate back at lawyer's political ideal enters race for socialist Thirty months with Takahara over 14 years, his goals was to create a ago, in the l have come to think of him third force in Japanese poli-

heln

The ira butterfly of

Japanescolitics has made a comebac to take charge of her troubed socialists after a threyear break for official parliamentary

The biriquet belongs to Ms Takko Doi, 67. the most promient and popular women in Japanese politics. maland circumlocutory. M Doi, a former leader of the ocial Democratic party.

yeserday returned to her oldiob after stepping down as the first female to le spaker of the lower house Larliament. he ailing SDP bady

neds her help. Supporters alundoned it after the DP lined a government cali-im with its old enemy the rentwing Liberal Donoratic party, four yearsago. "We certainly appear to le wobbitng," said a claraceristically blunt Ms Doi, after accepting her od job back. She then proceeded to cause a flutter in the IOP by binting she might rease to join the next coalition.

inko - Japanese piball karaoke and basebll give her a suitable ommon touch among wha passes for Japan's left wag. The daughter of a docto, Ms Doi is also a professor & constitutional law and hs served in parliament sinc 1969. But it will take smething

stronger than hiterfly's wings to lift the SP back to its old promience as Japan's main non-LDP party. Currently, t trails in the polls, behindthree cenwhisker ahead the Communist party.

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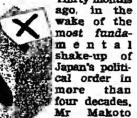
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Takahara entered what JAPANESE he thought ELECTIONS Was a new era

with high She kknown for straight hopes for change. He was talking and a penchant for young, urban and liberal, wearty pink, remarkable and his mantra was to enafies in a country where reform Japanese politics the altural uniform is drab, one of the few rally cries capable of winning over a distillusioned electorate.

in politics

The Liberal Democratic party, which had ruled Japan uninterrupted for 38 years, had fallen from power in 1993 in a development that seemed to pave the way for far-reaching changes and the emergence of a new generation of politicians such as Mr Takabara. But his optimism has

given way to disillusionment as he, like many contemporaries, has discovered that the Japanese political system which rewarded personal loyalty at the expense of principled politics was more enduring than they thought. A lawyer by training, Mr

Are Ms Dol's irtues Takahara, 45, had developed enough to revive theparty's a keen interest in politics. "I fortunes? She is creately felt that if I wanted to go now," he said. It was a big risk: he would be swapping a secure, upper middle-class life for one of uncertainty and possible financial ruin. Mr Takahara bad already

been involved in campaigning for Mr Naoto Kan long hefore Mr Kan became popular in his role as health and welfare minister. With the collapse of the

old order, Mr Takahara felt that there was a chance to compete. He enjoyed the support of

tre right groups and only a his mentor Mr Kan, with whom he shared many views. "Through discussions

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INTERIATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail res volume and industrial production plus all data for the vacancy rate indicator are in index form with 1935-100. Cuarterly and monthly data for retail sales and indicate production show the percentage change over the corresponding parted in the previous year, and are positive unless otherwise stated. The unemployment rate ishown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

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ago, in the I have come to think of him as a mirror of myself," Mr Kan said of the hopeful young politician in a booklet which shows the two men clasping hands warmly.

After joining the Sakigake party in late 1994, where Mr Kan was policy affairs chief, Mr Takahara began his campaign to win a place in the Japanese Diet (lower house).

He set up home in the western suburh of Tokvo that was to be his constituency. ft was one of four new constituencies formed from



Makoto Takahara: a 'conviction politician'

Mr Kan's former constituency, after the new singleseat system divided up large constituencies

In typical Japanese fashion. Mr Kan gave his protégé which Mr Takahara employed to build up his support base. He visited addressed local public gatherings and made early morning speeches outside railway stations.

It was an uphill struggle for the political neophyte who had to give up his work as a lawyer to concentrate on his campaign.

But Mr Takahara was "a conviction politician" motivated by a strong belief that together with liberal politicians such as Mr Kan, be could change Japan. One of

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top HK post tics to provide an alternative to the conservative LDP and the nationalistic New Fron-

By John Ridding in Hong Kong

dealt a blow when Mr Kan's belief in change proved shal-The contest to head Hong low and he slowly distanced Kong's post-colonial government intensified yesterday with the announcement by Mr Peter Woo, a prominent husiness and social figure, that he was entering the race for the post of chief executive, the top job after next July's handover to

> Mr Woo, son-in-law of the late sir Y.R.Pao, the shipping tycoon, and honorary chairman of Wheelock & Co. one of the territory's largest husiness groups, said he was putting himself forward to give the public more choice,

His entry raises the prospect of a battle between two of Hong Kong's business dynasties, as a frontrunner for the post is Mr Tung Chee-hwa, chairman of Orient Overseas, the family-controlled shipping group. Mr Tung has powerful backers in China and Hong Kong and has generally been regarded as the strongest contender. But he has yet to confirm his

candidacy for the post. The number of candidates is increasing. So far, Sir Ti Liang Yang, the former chief justice, and Mr Lo Takshing, a solicitor, have Mr Patten's office dismissed declared their interest in the post

civil service, although her close ties with the present administration undermine her chances of the top job. Mr Arthur Garcia, a former judge, is also tipped as a possible candidate.

Mr Woo formerly worked for Chase Manhattan Bank in New York before joining Sir Y.K. Pao and his World-Wide Shipping Group in 1975. He became chairman of Wheelock and its associate, Wharf Holdings, in 1986.

In addition, Mr Woo serves on the 150-member preparatory committee, the Beijingappointed body which is overseeing the handover. He is also a Hong Kong affairs adviser to China.

Mr Chris Patten came under fierce attack yesterday from Sir Percy Cradock, the former British ambassador to Beijing, who accused the Hong Kong governor of damaging the territory's transition to Chinese rule.

"He has no claim to stand as a champion of democracy in Hong Kong. He has done it unique harm," said Sir Percy, foreign policy adviser to the prime minister from 1984-92. The criticism comes a few days before Mr Patten's final policy address to the territory.

Sir Percy's claims. "He is not the first mandarin to think Anson Chan, the head of the spokesman for the governor.

ASIA-PACIFIC NEWS DIGEST

Japan industry output slips

Japan's industrial production declined in August but the longer-term trend remains upward, the country's ministry of international trade and industry reported yesterday. Factory output fell by 1.9 per cent from a month earlier, the first decline for two months, largely because of weak production of cars, personal computers and microchips. But output is estimated to have been higher in

September, maintaining the pace of gradual recovery this year. Production in the July-September quarter is forecast to have risen by about 1.5 per cent on the previous three months. Shipments fell by 1.8 per cent in August while inventories edged up by 0.6 per cent. The rise in stocks was largely because of sluggish sales in the second quarter, Miti said. But there was also evidence some companies were increasing inventories in anticipation of

higher consumer demand. Meanwhile the construction ministry reported the sixth consecutive moothly rise for housing starts in August. Low rates on housing loans helped to maintain demand for new homes, and total starts in the month were 14.3 per cent higher than a year earlier. Gerard Baker, Tokyo

Bhutto positive on Taliban

Pakistan would deal positively with the new government in Afghanistan if Taliban managed to consolidate its hold on power, despite the Moslem movement's reputation for religious extremism, Ms Benazir Bhutto, prime minister, said vesterday. "It would be our hope, our attempt, our endeavour to be a moderating influence," she told the International Institute of Strategic Studies. The movement had taken Afghanistan with little

bloodshed, and lot of its success had been negotiated, she said. It would be wrong for Pakistan to interfere in the affairs of a neighbouring country. She was concerned about some of the Taliban's religious positions but said a peaceful Afghanistan would open up trade routes to Peter Montagnon, London central Asia.

Bolger's remarks irk Labour

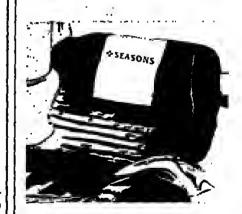
The final leg of campaigning in the New Zealand election got under way yesterday, with Mr Jim Bolger, prime minister and National party leader, being accused of "economic sahotage" after he warned of the risks facing the country's economy if the government changed.

Mr Bolger made his remarks on an Australian TV programme, saying that if he was an Australian investor interested in New Zealand he would be waiting until the poll outcome. Depending on who led the next government, New Zealand's involvement in Apec's free-trade agenda, overseas investment and possibly the country's free-trade

accord with Australia could be at risk, he said. But yesterday, Ms Helen Clark, leader of the Labour party, the largest opposition party, said Mr Bolger was, in effect, warning off foreign investors. "Mr Bolger's message is no less than economic sabotage of his country," she said. The election is to be held on October 12. Terry Hall, Wellington and Nikki Tait. Sydney

Court respite for Rao

Mr P.V. Narasimha Rao, the former Indian prime minister, was given a respite yesterday from a scheduled appearance and possible arrest on charges of conspiracy. The Supreme Court intervened on police warnings that extremist elements could pose a serious security threat if Mr Rao were to appear personally at the busy Tis Hazari court complex in Old Delhi. The hearing was adjourned Lisa Vaughon, New Delhi



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Figure of air production

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Chastened Congress goes home to seek re-election

By Jurek Martin in Washington

The 104th session of the US Congress ground slowly towards its cooclusion esterday, almost deferentially leaving a stage that it had entered two Januarys ago breathing conservative revo-Intionary fire and brimstone

Its only outstanding piece of business was for the Senate to follow tha lot over that" - came in a Sunday House's action over the weekend and pass yet another "continuing resolution" temporarily funding those parts of the government whose budgets have yet to be authorised. Its main purpose was to get members out of town quickly to start running for re-election. Republican concessions on the immigration bill and a handful of other

issues had ensured no repetition of the

Speaker, now concedes was a strategic error of the first dimension, the Republicans forced a series of partial shutdowns of federal offices in pursuit of their budgetary goals.

The Speaker's acknowledgment with the words "I think we did learn a night televised debate itself noteable for a civility that was conspicuous by its absence for much of last year.

Rather than condemn Democratic obstructionism of Republican policies, Mr Gingrich and Senator Trent Lott. the majority leader, preferred to stress the bipartisan achievements of the Congress. They even included bills passed against the will of the party

In what even Mr Newt Gingrich, the minimum wage and preserving envi- in the 435-strong House. ronmental protectioo.

Similarly, Secator Tom Daschle and Congressman Richard Gephardt, Democratic leaders in the two chambers. chided their counterparts only gently for trying to foist what they regularly used to call an "extremist" agenda on the country.

But they did not neglect to mention proposed Republican tax cuts and reforms of the social safety net, opposition to which will form the heart of the Democratic campaign to recover control of Congress.

They need net gains of three seats in the 100-member Senate, assuming President Bill Clinton wins a re-election and Vice-President Al Gore is in a posi-

successive High Noons of last autumn. leadership, such as raising the federal tion to cast tie-breaking votes, and 19

The odds probably favour the Democrats more in the House, where many of the 74 Republican freshmen who won in 1994 are defending thin majorities. By contrast, the retirement of a clutch of popular Democratic senators, especially in the conservative south,

has given Republicans reason to hope. They may also benefit, ironically like Mr Clinton, from incumbency, by being able to claim a share of the credit for the buoyant state of the economy. The obvious comparison is with 1984, which saw a landslide re-election for Presideot Ronald Reagan and good enough results for the Democrats to hold on to the House and to make recapture of the Senste possible in 1986.

Republican congressional candidates to distance themselves from Mr Bob Dole, much as Democrats did from Mr Walter Mondale 12 years ago.

Mr Clinton also treats Republicans more gently than he did. Although he recovered from the depth of his unpopularity last year by attacking and out-manoeuvring the Republican congressional leaders, now, in pursuit of the middle ground, he not only sometimes praises them but even signs their bills, such as welfare reform.

Although difficult to quantify in electoral terms, the net effect may be to persuade the voting public that there is little wrong with what had been more often than not the accepted balance of power - a president from one party

That precedent has induced many and a Congress at lest partly con-

ity for the last five Rublican presidents and, since 1994. Mr Clinton
Undoubtedly, the accoments of
the 104th Congress fell short of the strowatt plans the 104th Congress fell short of the ambitions of its new learns two years ago. It did not succeed requiring a balanced budget by astitutional amendment, nor, apart on welfare, did it manage substantia eform of the great social "entitlement rogrammes.

It was busy enough, psing over 200 bills and cutting over \$5 in from government operations. The offers some protection from the late Serred by the prestructuring

protection from the fate 5 and by the 80th, condemned by Present Harry Truman as the "do-nothin Congress". Oddly enough, it passed or 900 bills in 1947-48, an all-time rec

Canada's military finds itself under fire from all

Atrocities, retrenchment and reform are taking toll of besieged forces, reports Bernard Simon

anada's military has been the butt of ers have long mused that the top-beavy armed forces seem to employ more generals than privates.

Visitors to the West Edmonton shopping mall in northern Alberta are told that the children's playground has more submarines and more modern ones than the real navy's three 30-year-old boats.

No one is laughing, however, at the military's present predicament. A series of unheavals has created what may be its most severe peacetime crisis.

Canada's Nato allies are unhappy at what they perceive as Ottawa's lukewarm commitment, Foreign and domestic defence equipment suppliers have vented frustration at the Liberal government's inaction in placing

What is more, questions hang over the future of the recorded in gruesome video

country's top soldier. Morale within the armed forces is shaky, and a procession of disaffected former officers have spoken out recently against the present leader-

Mr Daniel Bon, directorgeneral of policy planning in the department of national defence, says: "There's no denying that it's been a trying and difficult period for everybody." But he adds: "I don't think things are as bad as they seem

The immediate challenge is being played out before e commission of inquiry set up to probe atrocities by an elite paratroop regiment during the UN peacekeeping mission to Somalie in 1992-93.

The troops tortured and killed several Somali civilians. Their actions were subsequently been disbanded and several of its members bave been courtmartialled. One suffered permanent brain damage after attempting suicide.

To the government's coosternation, the Somalia mandate broadly. It is also and document tampering by pliers. senior officers at defence headquarters in Ottawa. Mr Jean Chrétien, the prime minister indicated last month that he was losing patience.

The inquiry's televised hearings have taken place against the background of a widespread shake-up of the military, forced by deep budget cuts and the government's desire to breathe some fresh air into the defence establishment.

The number of full-time

defence minister and the pictures. The regiment has troops has shrunk in the Nato's standing naval force hope to win sizeable conpast decade from 120,000 to about 70,000, with a target of 60,000. About half Canada's military bases bave been closed or turned over to other uses in the past 18

> months. Early retirements have inquiry has interpreted its thinned the senior ranks, and the military has brought probing alleged cover-ups in more private-sector sup-

> > ut resistance to the changes bas been intense in some quar-

Mr Ed Healey, a former rear-admiral who now works as a consultant, observes: "A lot of these things are like asking the Pope to contract out the sacraments." Canada has closed all its

bases in Europe, lesving about 200 personnel at Nato beadquarters in Brussels and one vessel attached to in the Mediterranean.
"Where is the threat to Europe that requires us to have forces in Europe?" Mr

Bon asks Ottawa's peacekeeping commitments have also shrunk. About 2,000 Canadians are now attached to peacekeeping forces, mainly in Bosnia and Haiti, down from 4,000 in the early

Other Nato members are concerned at the government's timid approach to defence issues. While the military proposed sending up to 5,000 troops to Bosnia, the cabinet approved only 1,000. "Nato partners are suspicious that Canada is not pulling its weight," says one foreign diplomat.

The frustration is especially apparent in defence procurement, where US, UK and other Nato suppliers

tracts. A 1994 white paper identified four priorities: search-and-rescue helicopters, shipborne helicopters, submarines and armoured

personnel carriers. Ottawa has so far chosen a supplier only for the personnel carriers, although a firm contract has yet to be signed. The cabinet has sat for more than e year on a UK proposal to sell - at bargain prices - a fleet of four almost-new Upholder class submarines. The UK has also been talking to Portugal, Chile and Sonth Africa

about the sale. Mr Paul Manson, a former chief of defence staff who now heads Lockheed Martin Electronic Systems' Canadian subsidiary, warned in a speech last month: "Quite apart from the frustration that such delays generate within the armed forces and the operational problems that are created, the situation is also becoming quite difficult for Canada's shrink-

ing defence industry." Mr Chretien has so far been reluctant to approve large military contracts while Ottawa is cutting social-security spending. As Mr Healey pnts it: "People say they're proud of the mili tary, but they're really not prepared to spend much

r Chrétien and his defence minister. Mr David Collenette, last year picked a bright, up-and-coming fighter pilot, Gen Jean Boyle, as chief of defence staff with a mandate to shake up the top-heavy defence establishment. Having leapfrogged at

least half a dozen more senior officers, Gen Boyle,

- and eve success ing the job - I severely compromi inept performancing the witness stand at the complex inquiry. He drew w sibility for altered at missing documents, put in the blame instead on highway criticism for evadir officers.

Mr Collenette is un for his inability to wa cabinet colleagues' supply for the programmes in the 1994 white paper, as well as actilating over issues rais the "Somalia affair". Bnt Mr Collenette ha advantage of being of of the prime minister's olitical allies. Assumir survives, outsiders wi sake in Canadian defe plicy are crossing their n gers that he will take a mrs vivorous approach to potfolio after the next el tion, likely to be called

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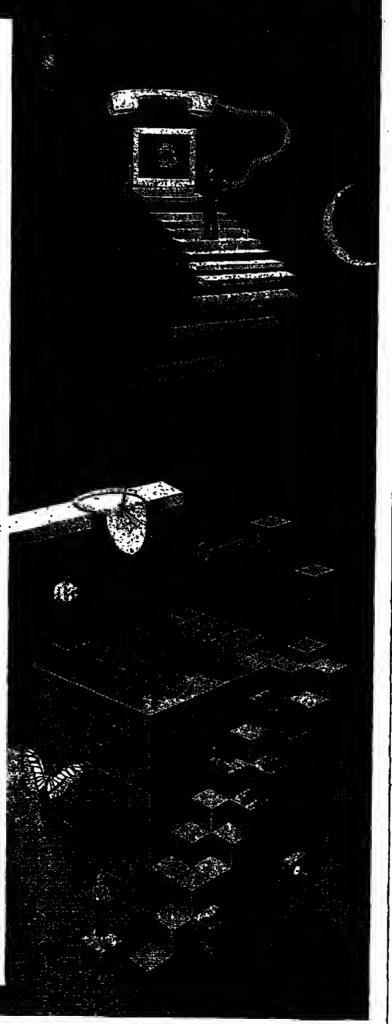
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US new home sales highest in 10 years

By Michael Prowse In Washington

Sales of new homes in the US rose 4.7 per cent between July and August, to their highest level in a decade. throwing fresh donbt on claims that economic

growth is slowing. Separate data showed a rebound in personal consumer spending in August

The figures follow the Federal Reserve's decision last week not to raise short-term interest rates, in spite of evidence of abovetrend growth and tight

labour markets. Fed economists have been predicting all year the economy would slow of its own accord, reducing upward pressure on wages and prices. So far growth has

exceeded their projections. The Commerce Department said new home sales rose to a seasonally adjusted annual rate of 832,000, the highest level since April,

Figures for June and July

were also revised up.

The jump in sales surprised Wall Street economists who had predicted a decline to an annual rate of about 744,000. Real consumer spending

rose 0.5 per cent in August following a zero increase in July. The gain reflected strong demand for durable goods such as cars, sensitive to interest rate levels. Disposable personal

incomes also rose 0.5 per cent in August following a 0.1 per cent drop in July. The strength of home sales has surprised economists because long-term

interest rates have risen this year. Rates on a 30-year mortgage averaged 8 per cent in August, against 7 per cent at the beginning of

american News Digęst

US union deal with Chrysler

The US United Auto Workers union doved closer to securing an unusual industry-wide jo guarantee arrangement late on Sunday as it annunced a tentative labour pact with Chrysler.

The three-year deal, which needs to e approved by Chrysler workers, would follow the patern set by an accord with Ford, the union said. That greement guaranteed the jobs of 95 per cent of UAV workers at Ford over the three-year period. in retun, Ford would be able to establish a new, lower pay scalepr new workers in its component plants.

The fact that the Chrysler deal followibe pattern of Ford appeared to suggest that Mr Stepbs Yokich, UAW president, is intent on maintaining a comon agreement for the industry. That appears to increas the chances of a conflict with General Motors, the US's bigest car and truck maker and the final manufacturer the bargaining round. GM, with higher labour costs that's two smaller rivals, is still in the midst of an overhaulf its North American operations, and would be more postrained by a job guarantee. Richard laters, New York

Mutual fund reform bicked

US House of Representatives has approved hanges to state and federal securities legislation desired to simplify the regulation of the US mutual fid industry. The move will reduce the involvement of invidual states in regulating the structure and operation omutual funds. This responsibility will instead rest solely the hands of the national regulator, the Securities and Ehange Commission, though state regulators will st be involved

in policing local mutual funds. The bill, due to go before the Senate yestelay, would eliminate the problems caused by the duplicion of rules. Current SEC and local regulations are somethes contradictory, but since mutual funds are mageted across the whole country, individual state rue can force across the whole country, individual state it is can love industry-wide changes to the structure of mulal funds. For example, if one state rules that a certain cumodity cannot be included in portfolios, national marking of funds invested in that commodity becomes extenly difficult. The new legislation will make it easi to produce "a uniform national product", said Mslizabeth Tower of the Investment Company Institute, the investment Company Institute, the investment and industry association.

Tracy Corrigan Ven You Tracy Corrige

ValuJet back in the air

ValuJet Airlines resumed limited operations yestray after a 15-week grounding by the government imsed when one of its aircraft crashed in Florida, killing 10

ValuJet's first flight since June 17 was to take from Hartsfield Atlanta International Airport and it all scheduled flights to Washington and three Floridaties Fort Lauderdale, Orlando and Tampa.

Analysts say ValuJet has sufficient cash reserved maintain its signature low fares. But Mr Mike Boy an airline industry analyst, said yesterday that there ight not be much leeway if new problems arose. "If they it so much as a bird, they're in trouble," he said. AP,

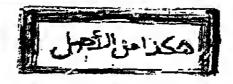
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Threat to aircraft deal is dropped By Bernard Gray,

Defence Correspondent

Phoenix, an unmanned raconnaissance aircraft developed by the UK's General Electric Company, will be used by the British army after all, the defence ministry announced yesterday. But the aircraft will be almost nine years late when it enters service in 1998, and its cost will have more than

Phoenix was designed dur-

behind enemy lines and relay information about the location of hostile forces to artillery batteries. But the aircraft has been plagued by technical problems, including a reluctance to return to base and, on those occasions when it did come back. crash-landing and breaking expensive sensors.

Attempts to solve technical difficulties became so protracted that in April 1995 the Ministry of Defence gave GEC-Marconi, the defence ing the cold war to fly arm of GEC, a year to fix the

project at its own expense or face cancellation. Now tha ministry has decided that continuing with Phoenix is cheaper than cancelling and starting again with a drone aircraft made outside

As a result, GEC has been given two new contracts to replace its 1985 fixed-price development deal. The first will covar the remaining development and production of Phoenix, and the second Taken together, the con-

the £228m budget for the programme agreed in 1993 itself a big increase on the original £80m deal agreed in

GEC has resolved the worst technical problem crash-landing. Phoenix is now slowed by a parachute on landing, flips on its back to protect its electronics and inflates an airbag to cushion ths impact.

The decision is a huge will involve its maintenance. relief for GEC-Marconi. bad been boping which

tracts will cost more than Phoenix would demonstrate to the ministry the company's ability to handla prime contracts, a role usually undertaken in the UK by British Aerospace.

> tions about the ministry's management of fixed-price contracts. Some British army officers are unhappy that Phoenix's performance will lag behind that of recently designed drones. Phoenix's low power means that it cannot take off in

The saga also raises ques

very bot climates.

Tax boost urged by property sector

By Simon London, Property Correspondent

The UK Treasury is considering tax changes to create a new breed of investmant company in an attempt to encourage fund managers to invest in commercial property.

The debate comes against background of fears thet pension funds and life insurance companies - some of the country's biggest commercial landlords - are withdrawing from the property market. In the long run, this might force industrial and commercial companies to have more of their assets tied up in premises.

The property industry has askad the Transury to amend existing regulations to allow investment trusts, which are exempt from capital gains tax, to invest primarily in commercial prop-

This would enable fund managers to gain exposure to commercial property through shares - rather than by owning buildings directly - without suffering tax penalty.

Representatives of the property industry last week argued for such a change at meeting organised by Treasury officials and attended by Mr Micbaal Jack, a junior minister at

the Treasury. The Treasury said it was taking the proposals seri-ously, but warned that more research was needed. "Given that there will be a cost involved, we need to know more about the potential benefits," said a Treasury

Officials would also like to see firmer estimates of the costs of such a move.

Tax revenue would be lost because property companies, which pay income and capital gains tax, would probably transfer their assets into the new vehicles. Some of this lost income would be clawed-back through stamp dnty on the trading of **UK ECONOMIC DIGEST**

Consumer data still promising

Consumer borrowing grew strongly again in August and the amount of notes and coins circulating in the economy continued to expand rapidly in September. Official figures resterday added weight to the view that conditions in Britain's shopping streets remain buoyant and suggest that the fast pace of the present consumer-led economic recovery will be maintained.

The Bank of England, the UK central bank, said yesterday that notes and coins circulating in the economy grew a seasonally adjusted 0.5 per cent last month, slightly less than the 0.6 per cent growth rate in August. This took ths annual rate to 7.4 per cent from 7.5 per cent.

Mo, the narrow measure of the money supply which includes notes and coins and banks' operational deposits grew at an annual rate of 7 per cent last month compared with 7.4 per cent in August, However, the brighter longerterm prospect for spending was underlined by separate figures from the Bank of England which showed that consumer credit grew by a seasonally adjusted \$1.54bn in

This was slightly less than the £1.1bn consumers borrowed in July, but it was above the recent trend and was more than City economists expected. Graham Bowley

■ BUSINESS FAILURES

Significant drop seen in rate

Fewer than 10,000 businesses failed in the third quarter of this year - down 6.6% from the same period last year according to figures published yesterday by Dun & Bradstreet, the husiness information service. The biggest drop in failures - by nearly a fifth - was in London.

More than 1,900 businesses failed in the third quarter of 995 compared with 1,548 this year in the same period. Mr Philip Mellor, for Dun & Bradstreet, said the figures for the UK, excluding Northern Ireland, showed the second "significant" quarterly drop in the business failure rate in

■ HOUSING MARKET

Prices rising faster, says Bank

House prices are rising faster than at any stage since 1989 as mortgage lending bas surged over the summer according to figures published yesterday by the Bank of England, the UK central bank, and Nationwide building society, one of the country's largest mutually owned savings and loan institutions.

Nationwide says average prices have risen by 6.7 per cent in the past 12 months, the biggest annual increase for seven years. But Mr Philip Williamson, Nationwide's corporate development director, said recent exceptional growth was unlikely to continue.

Andrew Taylor

MARINE TRANSPORT

Ports have record-breaking year

Britain's ports had a record-breaking year in 1995 with a 2 per cent rise in total import and export traffic to 548m tonnes, the Department of Transport said yesterday. This was the sixth consecutive rise in annual traffic. Outwards traffic rose by 7m tonnes to 263m tonnes; inwards traffic rose by 3m tonnes to 285m tonnes. Charles Batchelor

Labour party backs curb on executive pay

By David Wighton, Political Correspondent

Delegates at the annual conference of the opposition Labour party yesterday delighted the Conservative government by calling for ths regulation of executive pay in privatised utilities. A motion supported by the Labour party leadership also proposed giving utility worker representatives a say in the regulation of their

industries. Tha motion was passed after Mrs Margaret Beckett, the party's shadow industry secretary, announced that Labour would change the law to give utility regulators e primary duty to protect customers' interests.

The motion was seized on by the Tories as an indication of a hidden agenda on "stakeholding". Mr Ian Lang, chief industry minister, said: This is yet another glimpse into what stakeholding would mean in practice. Labour can't understand that state intrusion into every nook and cranny of

life destroys enterprise." The motion called for a Labour government "to introduca lagislation to ensure that the determination of executiva pay is prop-

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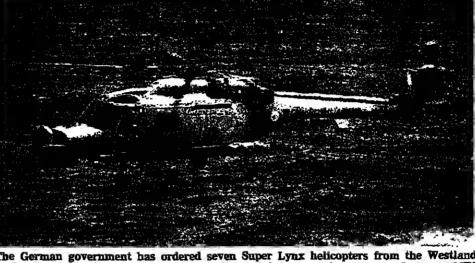
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erly regulated so that executives are not able to award thamsalves or be awarded through non-executive directors, obscene pay increases

and share options' Mr John Battle, a Labour industry spokasman, sald the wording was misleading and it was merely referring to Labour's proposal that shareholders ba given the legal right to vote on executives' remuneration packages. But Tory strategists said it represented Labour's "deepseated faith in regula-tion". Mr Lang said: "State regulation of pay was unworkable in the 1970s and would tie today's companies

in knots.

Mr Battle said the call for worker representatives to be given a voice on a regulatory panel was in line with the policy laid down in Labour's recent industry document. This proposes that each regulator should work "with a board of non-executive directors representative of outside interests and voices". Mrs Beckett said Labour would give the regulators a primary duty to protect customers' interests alongside the requirement to promote competition and ensure financial viability. Currently, it was secondary.



The German government has ordered seven Super Lynx helicopters from the Westland offshoot of GKN, the antomotive engineering and defence equipment manufacturer, GKN announced yesterday. Similar machines are already in service with Britain's Royal Navy (above). GKN is also talking to the German navy about upgrading its 17 existing Sea Lynx helicopters. Shares in the company rose in London by 23 pence to 11231/4p.

BMW seeks \$90m grant for Rover engine plant

Rv Christophar Brown-Humes in London

the German carmaker, and Rover, its UK subsidiary, are seeking £60m (\$93.5m) in UK government aid to help secure a £400m engine plant in the English Midlands

Rover hopes a positive decision from Mr Ian Lang, the chief industry minister, could come as early as the Conservative party conference next week. But the company believes

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it might yet lose out to an facturing capacity at Long-Austrian or east European plant, potentially jeopardising jobs at its Longbridge and Solihull works in England.

The plant would be the single biggest investment by Rover since it was sold to BMW by British Aerospace 21/2 years ago. It is needed to belp Rover increase annual production from 500,000 vehicles to between 750,000 and 800,000 over the next five years. Although the

Melanie Miles 0171 873 3308

bridge and Solihull, it lacks adequate engine capacity. At full capacity, the plant would be capable of turning

out 450,000 engines a year, which would supply the forecast needs of both BMW and Rover brands. This would be tha first time that Rover engines were exported for use in BMW cars.

It is thought that the engine would supply Rover's new top-of-the-range RDI model and BMW 3-series group bas sufficient manu- cars made in Germany.

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Publishers warned on electronics 'gap'

By Raymond Snoddy in Landon

Traditional publishers could face great commercial danger if they hold back from entering the world of electronic publishing, a study by Andersen Consulting for the European Commissioo

"For the majority of publishers electronic publishing is necessary to sustain long term survival and success. the study says. The findings on the future of the total print industry in Europe, currently worth 85bn Ecu (\$68bn), will be unveiled today at a press conference

at the Frankfurt Book Fair. Electronic publishing will not be a substitute for print but will become a strategic cornerstone for the industry's economic survival

Many big companies 'fail to invest in electronic marketing'

Britain's biggest companies expect sales which can be attributed to a comrapid expansion in electronic commerce, but few are making the necessary investments to take advantage of it, says a survey by Harris Research for consultants KPMG. The survey covers the marketing directors of 100 UK companies with an annual turnover of more than \$300m, Stephen McGookin

years and an indispensable sary investment is "dangersupplement by the year 2002, ous' says the study.

"The risk for those who hesitate in starting an EP venture is that it will be increasingly difficult and expensive to make up for lost time once markets are further developed." Andersen Consulting says. The communications will enter strategy of postponing neces-

pany's presence on the Internet is expected to rise from the present 2 to 3 per cent to about 17 per cent over the next five years.

The survey also shows that only 59 per cent of the companies have allocated a marketing budget to Internet activities. Of those, 50 per cent have an annual budget of less than £10,000. The average expectation of direct (\$15,600) KPMG consultant Jonathan

Barling-Twigg said the survey showed that companies' expectations were "sky high" and that "things need to change significantly to achieve those kind of revenues.

For example, he said, 60 per cent of the marketing directors questioned described their own knowledge of Internet technology as poor or very poor, while 63 per cent of respondents said they had never used the Internet.

Andersen Consulting estimates that the electronic the print industry. publishing share of the print market by the year 2000 will range between 3 per cent and 15 per cent depending on the type of publication and

The report makes a series of detailed recommendations on what the strategy should be for different sections of Local newspapers, for example, should concentrate

on becoming the dominant local "electronic marketplace".Booksellers should the speed of consumer accepbuild an innovative image by having Internet cafes in

their stores and by becoming the local access point for

electronic products. Fear about security was the main obstacle to wider adoption of Internet technology among UK government organisations, according to a survey carried out for Mercury Communications, Stephen McGookin writes.

The survey of 220 government officials by the research firm Kable found that three-quarters of those who use the Net have been doing so for more than six months, but only 28 per cent of users have a distinct security policy.

Only 23 per cent of officials surveyed rated the government's grasp of Internet issues as "excellent" or "very good". Details of the survey are available at Kable's Web site www.kaUK NEWS DIGEST

Shares system to be sold

The London Stock Exchange yesterday announced an agreement to sell its Sequal electronic trade confirmation service as part of its effort to concentrate on a smaller number of services for member firms. The announcement comes before the publication later this week of the exchange's proposed new rulebook for order-driven tradng in London.

Sequal, which provides electronic confirmation that a share trade has been executed as well as associated information, has been sold to Thomson Financial Services. a company that owns a rival confirmation system called Oasys Global. Thomson has guaranteed to the exchange that it will keep on operating Sequal separately from Oasys in the short-term. But it will eventually merge the

The terms of the acquisition were not disclosed, but Segnal has been losing money. Mr Alastair Hazell, Thomson's managing director said the deal would "reduce uncertainty" for market users in London. John Gappe

FILM INDUSTRY

France is biggest customer

France is the biggest international market for British films, which have higher box office receipts there than in

Wide screening

.UK film performance in 1995 (\$m)

the UK, according to a survey by Screen International, the film industry magazine. British films took just over \$60m at the French box office in 1995, against \$55m in the UK... In 1994 they took \$56m in France, \$55m in the UK and \$54m in the US. Alice Ratosthorn

PRISON SERVICE

Governor leaves post in protest:

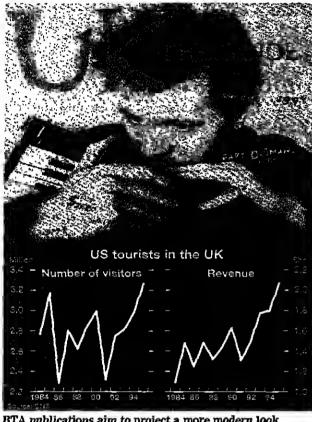
A senior prison governor is leaving his post today in protest at budget cuts and the "party political point scoring" he says has utterly demoralised the Prison Service. -In an unprecedented attack on government policy, Mr

David Godfrey, the governor of Ford Open prison near the West Sussex coast in southern England, said the problems facing management of the service had now reached crisis proportions. "As recently as 1992 the Prison Service seemed to be in

reasonably good shape," he said. "Now it is on the brink of catastrophe, and staff at all levels are thoroughly dis- . heartened." Mr Godfrey said that the rapid rise in the ... prison population - now at a record 56,700 -was primarily due to "misguided political objectives" and had little to do with controlling crime. Mark Suzman

Antique image fails to lure the young

Thatched cottages and quiet pubs are insufficient to compete in modern tourism market



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CHRISTIE & CD

ob and Sandy Paw- ran a London campaign featchose a week's holiday in Britain because of its "sheer antiquity". After London, Windsor Castle and Stratford-upon-Avon, they said

At the outset, traditional

publishers are well placed to

take advantage of the tech-

nological opportunities

offered by EP. But increas-

ingly players from other

industries such as comput-

ing, financial services and

the market in the hope of

they were not disappointed. "I pictured the English countryside a certain way and it was just like that," said Mrs Pawelko. "We wanted to see the little villages, thatched roofs, and go to a typical English pub everything is so pretty and old here.

But this traditional image of Britain is one which the British Tourist Authority is trying to counter in its efforts to appeal to younger visitors - particularly those from mainland Europe and the Far East. The authorrty is partly funded by the government and promotes the country as a tourist destina-

The message is that Britain is more hip than heritage and more about the scene than the Changing of the Guard. To try to target growing numbers of tourists from the Far East, it

elko, 50-somethings uring Feye Wong, the Can-from Dallas, Texas, tonese pop star, dancing in a mini-skirt and Beefeater's hat to persuade younger travellers that London is a fun and exciting city.

increasing sales in the

emerging interactive ser-

Two glossy BTA promotional magazines, UK The Guide and British By Design have eschewed Britain's traditional attractions in favour of features on fashion, nightlife, modern architecture and thriving designer restaurants which have expanded from London into the Mr Anthony Sell, chief

executive of the BTA, admit-

ted that some of its partners in industry were aghast at the new campaign. "They thought we had lost our marbles. 'Are we throwing away the Beefeaters and heritage?' they asked." He said the BTA was not attempting to Ignore Britain's traditional appeal, "but we have to modernise the message and to show that Britain's unique appeal lies in the combination of the old and the new - to win our share

of an increasingly competi-

tive international market".

Two years ago, Britain's share of the world tourism market had fallen to a record low of 4.4 per cent, and growth in tourist arrivals was slower than for most of its European competitors. But last year a record 23.7m visitors, up 13 per cent on the previous year, helped Britain increase its share to

The BTA expects a further 10 per cent increase in tourists this year - at a time of difficulty for the tourism industry in many of its European neighbours including France, Greece and Austria. It bas taken time for peo-

ple to realise that Britain's leisure life has changed. according to Mr Sell. With changes in the liquor laws, many bars and cafes are still buzzing late at night. "The explosion of eating-out places and club life has spread out of London to other cities," he said.

Tourists make up a large part of the eating-out market in Britain: they are expected to account for 13 per cent of eating-out business this year, according to The Henley Centre, the forecasting

helped the UK tourism industry include the relative weakness of sterling and the opening of the Channel Tunnel between England and France. Ferry price competi-

group. Combined with the

growing number of Britons

who are eating out, they

have helped to support the

growth in restaurants, bars

Other factors which have

and cafes.

tion has also helped increase the number of people visiting from mainland Europe to the extent that two-thirds of visitors now come from this market. High-spending American visitors have also returned, after numbers dropped off sharply during the Gulf War.

Last year, a record 3.3m visitors from North America spent more than \$3bn in the UK - one sixth of the nation's total tourism receipts. But competition for a greater share of the North American market is strong. especially from the cruise industry and the Caribbean.

Scheherazade Daneshkhu

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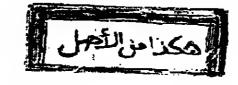
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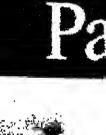


















NCIAL TIMES SURVEY

Thead BANAMA

New rules to old games

ics all change as the US leaves. Stephen Fidler describes he end of a sense of drift

cratic Revolution, the political

vehicle of the country's dictators,

with the election to president of

Ernesto Pérez Balladares. The

result raised dire predictions of a

return to the predatory narcopoli-

tics of the 1980s and the risk that

many beneficiaries of the dicta-

torship would return to reclaim

the prizes of power, such as the

Balladares, a former banker, was

tempered by the lack of a PRD majority in the single-house leg-

islature, forcing him to seek sup-

port from other political parties.

The president has also heen

paign benefited from finance

though there is no implication

that he knew about it. He han-

retains the public backing of the

US which remains an important

arbiter in Panama. Partly as a

result, the government has not

been able to erase the popular

sentiment that it is more corrupt

It has managed, however, to

arrest a sense of drift about the

era, moved ahead with privatisa-

heavily protected agriculture to

What is behind this is the slow-

ing of growth after the rebound

from the economic debacle of the

than its predecessor

foreign competition.

The freedom of action of Perez

returning US base

in a formal ceremony today, the vice-president until he resigned store and Stripes will be lowered for the last time over a piece of and the US has occupied for democracy graman 90 years. Fort Amador, here the US Army built an artillery battery in 1919 to defend the Pacific entrance to the Panama perday under a phased pullout by the US military from its. bests in the former Canal Zone. A majority of the Canal Zone, a five mile strip on either side of the Panama Canal ceded by menty in 1903 to the US by the newly created republic of Panama, has already been returned to Panama. Under new treaties ratified in 1979 the rest, which are the most important economi-

December 31, 1999. A special Panamanian government agency, the Interoceanic Regional Authority (ARI), is now forced to admit that his camworking intensely to attract foreign investment to try to ensure from the Cali drugs cartel, the properties are put to productive use. But the fact that it has taken almost 20 years since the dled the issue cleverly and treaties were negotiated in 1977 to come to grips with the return of the bases is symbolic of much sise in Panama

lly will be returned by midday

If for all of Latin America the 1980s were painful, for Panama they were devastating. According to Ricardo Arias Calderón, an opposition politician, the country suffered a "double trauma": the dictatorship of General Manuel Noriega which placed the country at the disposal of drug traffickers, and the December 1989 US invasion that ousted him.

The early 1990s were a period of rapid recovery after the economic collapse of the late 1980s. However, the government of esident Guillermo Endara, the lictor of the 1989 elections annulled by Noriega, quickly became unpopular and prey to infighting among the political groups that formed his coalition. Arias Calderón, Endara's first 1980s, and stubborn unemploy-

dominated by services that bananas are the country's main export: services account for 70 per cent of economic activity. Its service industries - banking, the canal and the free trade zone at Colon - will remain pillars of the economy, but do not offer much prospect of future growth.

ment.. Panama's economy is so

Panama's offshore banking sector remains anchored in the 1970s, when it was ahead of its time. Now, the international banking husiness has moved on. and lax bank supervision in 1992, argues that its principal which the government is proposing to change with a new law virtue was to have consolidated and persistent criticism from the The 1994 elections, however, US over laundering of drugs brought the dramatic political money signifies that its image recovery of the Party of Demoneeds cleaning up.

The canal, close to capacity at least until the next century when new investment should have widened it, offers only modest growth. The position of the free trade zone has been challenged by the shift away from protectionism that has occurred across Latin America, A further source of income - the US military presence in the country - will shrivel to zero by the turn of the century unless new agreements are reached with Washington.

Thanks to its service industries. Panama still hoasts the eighth highest per capita income in the Americas. But development has brought about a dual economy in which those who work in services enjoy much higher living standards than those outside. As a result, Panama's income distribution is the third most unequal in the western hemisphere.

Diversifying the economy to resolve these issues will require investment, mainly foreign, to develop new industry in Panama. Tourism and mining offer interesting prospects, as does manufacturing, albeit to a limited economy. It has settled the last of extent, because of Panama's high the debt defaults of the Noriega cost of labour compared to its central American neighbours.

tions and granted concessions to Shipping is seen by government and investors alike as a private investors to develop infrastructure and to take advantage crucial sector: private investment of the country's underexploited is pouring into ports and is likely location. It has also taken the in the moribund trans-isthmus difficult decision to join the railway. If such investment is really to World Trade Organisation, which

signifies the opening of previous flourish, investors will have to be assured of clear rules of the game, which will be difficult in a country where family ties and old friendships rank as higher virtues than the rule of law. Following through on the

investors and international financial institutions see as necessary will also be difficult for a party with populist roots, particularly since in the short-term the changes imply less rather than

more employment. Central to the success of the effort will be the constructive use of the properties reverting to Panama from the US military. The US will retain responsibility for the defence of the canal after 1999, but unless a new agreement between the two countries is reached in the meantime, the US

structural reforms that foreign disappear. Some 67,000 US army and navy personnel were stationed in the country at its peak in 1942. Since 1994, their numbers have fallen from 10,200 to 6,800 now, and will drop to an expected 4.410 next year.

The US and Panama bave agreed to explore the possibility of a continuing US military presence into the next century. That the US is interested in such a possibility is suggested by the formal appointment expected soon of John Negroponte, a former US ambassador to the Philippines, Mexico and Honduras, military presence in Panama will as the US co-ordinator for "post-

2000 issues".

Mr Perez Balladares bas suggested the use of some of the facilities for a multinational counter-narcotics force. The suggestion, said William Hughes, the US ambassador to Panama, "is something we'd like to examine very carefully". The continuing use of Panama for the military training of US reserves was also possible.

However, he added: "Whatever happens we are going to comply with the treaties. There will be no permanent military bases. The question is whether beyond 1999 Panama and the US can negotiate IN THIS SURVEY



Facts and figures Economy: High marks from

the international financial Politics: Large-scale corruption mey be getting riskler

urgency has descended around the withdrawals The Canal: As US handover ars, Panama gears up for a

Financial services: The world has moved on, and Panama has been left behind

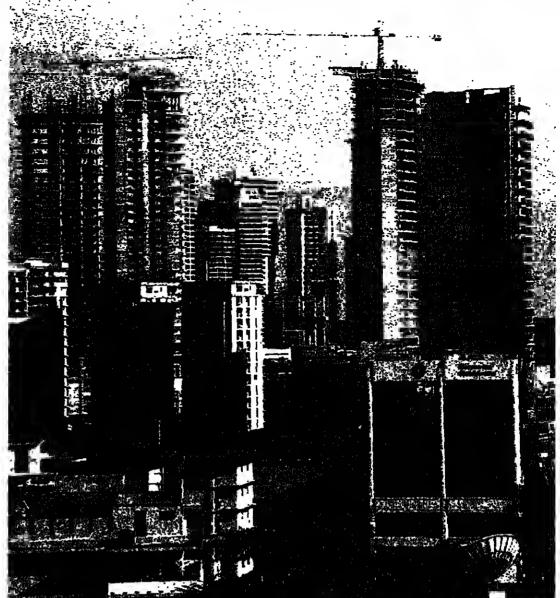
Free trade zones: A question mark hangs over the future of

Mining: Environmental scare and the threat to tribal lands make regular headlines page 3

a new lease agreement." However, the US will not pay rent to keep bases, as some Panamanians are demanding. "The US doesn't pay rent (to station its military] anywhere in the world,

US Defence Department estimates suggest the US presence directly contributed some \$366m last year to the Panamanian economy, some 5 per cent of GDP. However, it would not take bugely intensive use of the reverted properties to yield greater benefits to the economy. According to a report from two Panamanian economists, Marcos Fernández and José Galán, the value of the properties returning to Panama is some \$4.3bn, and an average profit of only 9 per cent a year before taxes will be necessary to replace the revenues lost through the US withdrawal.

"The reality is that the counterpart to this withdrawal - the transfer of potentially productive assets to the national economy has the capacity to generate much more employment and revenue than that lost by the base closure," the report says



After the devastating events of the 1980s, the sense of drift has been arrested, and activity has picked up Picure: Pance

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■ Politics • by Stephen Fidler

The 1980s left the party of Panama's dictators in a shambles. As the current decade dawned and Panama counted the cost of the US invasion of December 1989, it seemed inconcelvable the Democratic Revolutionary Party (PRD) would ever again be voted into office.

The PRD was created in the 1970s to become the party of power, in emulation of Mexico's Institutional Revolutionary Party. It was the party of General Omar Torrijos, who renegotiated in 1977 the Panama Canal treaty with the US and who died in a 1981 aircraft crash, and of General Manuel Norlega, deposed by the US in December 1989 and now serving a 40-year sentence in a US jail on drug trafficking and mooey laundering

As Panama's economy deteriorated during the 1980s, it had taken growing and more obvious electoral fraud to preserve its hold on power. When recounted, the results of the May 1989 election, which had heen annulled by Noriega, gave the opposition 51 seats and

the PRD-led coalition six. But the PRD was quick to come back, helped by a lack of public faith in the government of President Guillermo Endara, the victor of the 1989 presidential election who was sworn into office on a US military hase at the start of the invasion. Mr Endara's government was weakened by corruption allegations and divisions among his governing coelition. whose members started factional infighting once their common enemy, Norlega,

had been removed. According to Ricardo Arias Calderón, a Christian Democrat who was Endara's former first vice-president and who resigned his post in December 1993, the Endara government's achievement was to consolidate democracy after the "twin trauma" of the Noriega years and the US invasion. Democracy "passed the test of fire" with the 1994 elections and "there is a widespread consensus shared by the party of the dictatorship that supports the democratic system", be

One change, however, that the Endara government and its allies - many from the pre-Torrijos oligarchy known as the "rabi-blancos" or white tails - did not introduce, was a second round for the presidentlal elections. Second rounds are now almost the rule in Latin America but, argues Mr Arias Calderón, they "resolve electoral problems but not problems of governa-

bility'

parties

The lack of a second round and the failure of the rahihlancos to agree on a common candidate allowed the PRD contender, Ernesto Pèrez Balladares, to win the 1994 election with only 33 per cent of the votes. With the recognition that their Infighting probehly cost them the election, the Christian Democrats and the right-wing Arnulfista Party bave started discussions over a common candidate for the 1999 elections, talks which may expand to other

Despite its presidential victory, the PRD's Pueblo Unido alliance failed to win a majority in the singlechamber legislature, leaving the new president dependent on other parties to win support. As a result, he included opposition figures in his cabinet, including a Christian Democrat. Guillermo Chanman, in the influential position of planning minister.

The Pérez Balladares government has been credited by bankers and international financial institutions for setting about reform in a more dynamic way than its predecessor. However, it has not of corruption associated with the party since the dictator-

An opinion poll published last month showed a majority of Panamanians believed the current government to be more corrupt than the Endara and even, incredibly,

Mr Pérez Balladares has

received contributions, totalling \$51,000, from an important figure in the Cali drugs cartel, José Castrillon Henao, who was arrested in Panama in April this year. The president's admission and his statement that he did not know about the contribution and that it was not solicited, led Washington to contrast his reaction favourably with that of Colombian president Ernesto Samper, who faces allegations that he accepted Cali cartel funds in his 1994 campaign.

Nonetheless, the collapse this year of Banaico, a bank allegedly associated with money laundering, has also been linked with figures close to the government. Although Panamanian crecy laws mean it is quite possible neither man knew what was going on at the bank, Roberto Alberto Arias, Panama's ambassador to the US. was its largest nominal shareholder and Mayor Alfredo Aleman, a large contributor to the PRD camnaign and a friend of a number of cabinet members, was its vice-president and secre-

Several privatisations and concessions have also been widely criticised as lacking transparency to the extent that, in order to allay corruption allegations, the government has brought in the anti-corruption pressure group Transparency International to oversee the privatisation of the telephone company, Intel. To some extent, despite

the widespread feeling that

it is still endemic, large scale corruption may be becoming riskier. Panama faces more international and domestic media scrutiny than in the past. The US also retains a role as a public arhiter, particularly when it believes US interests have been damaged by corruption. There are also signs that, occasionally, domestic institutions can do their job. Impeachment proceedings were started last month ageinst a supreme court judge on corruption

Panama has been left behind with its numbered accounts and no questions asked

Panama'a financial sector. which accounts for about 15 per cent of national income is struggling to regain the position it enjoyed until the early 1980s. Political instability in the 1980s, a sleazy repntation that is proving hard tn erase, and changes to the global banking business that auccessive governments appear not to have underetood, have combined to damage the sector.

Assets of Panama'e banking centre peaked in 1982 at some \$49bn; a year later the number of operating banks reached a high of 129. By the end of 1988, as the Noriega era was coming towards its close and with a US embargo in place, banking assets had fallen to \$14.9bn.

The climb has been slow. Assets of all hanks rose 3 per cent during 1996 to \$33.8bn. but fell 1.2 per cent in the first half of this year tn

\$33.4bn. Deposits, which fell in 1988 to \$11bn from their 1982 peak of \$40bo, now exceed \$25bn, with offshore deposits accounting for almost \$16bn. The number of banks dropped to 108 at midyear from 110 at the beginning, compared with the 1993

low of 105. 40: 30 As international banking centres go, these are small sums. The region's largest offsbore centre is the Cay-man Islands, where banks hold more than \$400bn of assets: banks in the Bahamas hold close to \$200bn.

Compared with both, Panama's banks generate proportionately more employment and contribute almost as much to national income Bankers say this has been in part because the government insists on a physical presence in the country. This presents a dilemma

for those who would want the sector to contribute to further growth. If it is to ceotre for bank assets, bankers say Panama must reduce demands on banks to maintain a physical presence.

could well reducs employment and the contribution to GDP of the banking sector.

Furthermore, the long-term future of all offshore financial centres is questioned by some financlers, given the increased attention focused on them hy tax and legal authorities. particularly in the US.

resulted in changes. The previous government of President Guillermo Endara signed a Mutual Legal Assistance Treaty with the US in April 1991. This year, legislation to tighten control on drugs money laundsring went into sffect, including US-style regulations that call for cash deposits of more than \$10,000 to be reported.

The government is also pledged to reform the 1970 hanking lew to create an autonnmous regulating eotity, and to ensure adherence to the Basle accords on capital adequacy.

The need for such modernisation was underlined by the collapse in January of the Agroindustrial and Commercial Bank, knnwn as However, stich a change Banaico Of the bank'e \$88m via the bank's Panamanian and Banco Ganadero.

loan portfolio, \$59m was in bad loans, and at the end of March the bank was put into liquidation. A small insurance company with \$7m in deposits in the bank was also put into liquidation.

The Banaico affair is a classic example of what's wrong," said one banker, who asked not to be identified. "Numbered accounts and no questions asked. In today's world, this just wou't fly. It's the same product that the military was offering 20 years ago ... It worked for many years, but the world has moved on and

Panama has not kept pace."

The reputation of Panama as a haven for money laundering also affects legitimate husiness. Some US hanks, for example, have pulled out of trade finance for the Colon Free Trade Zone because of suspicions that it is used for money laundering. Hongkong & Shanghai Bank is still fighting a case that has been pending in the US since 1992 over alleged money laundering, after financial instruments that had apparently been through the hands of Colombian drug traffickers turned up in the New York clearing system. The instruments had come-

branch and what the bank said was a legitimate trade financing operation.

Apart from some Latin American banks which have opened in recent years mainly to gather dollar deposits, Hongkong & Shanghai, now operating name in Panama is one of the few established banks seeking to expand its presance. The bank sees the country as, a hetween Asia, Europe and the US, where it has a strong presence, and is also a natu ral place to run a trade finance operation, said Julian Totty, deputy chief

executive in Panama. The government has also ed a new insurance law. and moves are being made to develop what has until now en a fairly moribund capital market. Prospects have been helped by this year's Brady debt accord, which hrought it current on ite commercial debt obligations A number of bond issues

for the first time since 1988. have been launched, including a \$30m issue for Taca International Airlines of El Salvador, and \$10m and \$30m for the Colombian banks, Banco de Colombia

Free zones . by Sally Bowen

ecaying warehouse

It is a business relationship only: nobody wants to stay over in Colón

Nowhere le the contrast hetween the two Panamas more stark than in and around Colon, at the Atlantic end of the canal. This is the home of the

Colon Free Zone (CFZ), warehouse of the world's goodies. Each weekdey morning, huyers arrive in droves on the small Aeroperlas-operated flights from Panama City to place their orders. By 4.30pm, they are boarding the 15-minute hopper back to the capital. Nobody wants to overnight in Colon. Rohberies, muggings and drug abuse

and tired old men while maximum rate of 8.5 per away time-dainking on street cent - were obliged to pay corners, the tarmite-riddled wooden houses decaylog around them.

A question mark hangs over the future of the 48year-old free zone. Traditionally, its core business is breaking down hulk orders and repacking them to customers' specifications. "But as the Lating American economies get stigger, they buy direct and vin hulk," says Yueh-terngeLin, CEO of the huge Taiwanese container shipping company.

To make matters worse, a revenue-rassing exercise hy the Perez-Balladares government slapped a 15 per cent tax on CFZ husiness' net profits, with effect from July 1995. Free 20ne merchants never theymost scrupulous 1,500 businesses in the zone

taxpayers even at the earlier tax in advance, calculated on their previous year's sales.

"It instantly made us noncompetitive compared tn other re-export zones," says Victoria Figge, CFZ general manager. After heated protests, and the withdrawal from the zone of several businesses, including Canon, the government commissioned an independent study. The result: from January 1997, CFZ businesses will pay no tax at all.

The reversal of the government's decision underlines the importance of CFZ to the economy. According to Ms Figge, it contributes "between 13 and 14 per cent of GDP, compared to 9 per cent from the Canal." The

give employment to 14,000 Panamanians and at least some of the now tax-free profits are reinvested in Panama, principally in construction, says Ms Figge.

is little short of \$11bn a year. In 1995, CFZ imported goods worth \$5.17bn; re-exports fetched \$5.73bn (1994 figures were \$4.9hn for imports, \$5.75bn for re-exports). But even assuming that

activity will return to normal after the tax scare, falling tariff barriers throughout Latin America are likely in lost revenue. to limit future grnwth. Whatever happens to the economies we sell to affects ue almost immediately," says Ms Figge.

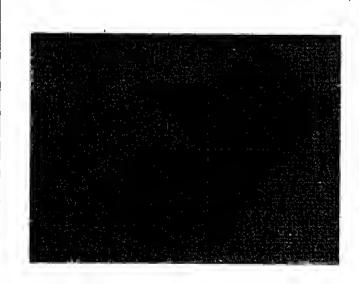
Mexico'e peso crisis, she says, was as much to blame as the tax threat was for lower values in 1995. And in Venezuela; economic problems provoked a swift contraction in re-exports: they accounted for just 4.8 per

cent of CFZ's 1995 income. Ms Figge faces her uphill struggie with optimism. She sees the CFZ as "starting to use our position and our expertise globally to become Total commercial activity. a redistribution and logistics centre". The CFZ, she says, continues to offer unheat-

> able service. Meanwhile there was relief even jubilation - when, on 19 September. President Pérez Balladares signed the new zero tax bill into law. The government estimates this will cost it \$40m a year

Calling on CFZ operators to create more jobs, the president warned time was runming out for a "prosperous free zone surrounded by a belt of poverty and misery

Judging by current leve of activity, the new transshipment ports at Manzanillo, Coco Solo and, eventually, Cristobal, may prove brighter prospects for Colon's unemployed.

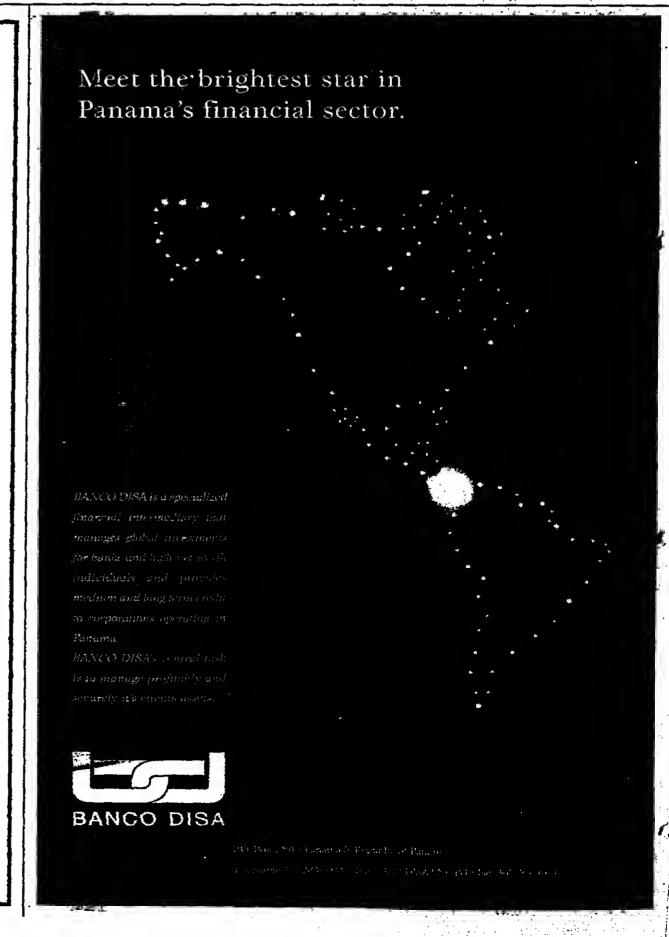


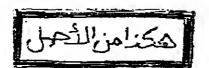
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High marks for budget

management

An economic base so narrow that bananas dominate exports. has to diversify

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> Throughout the 20th century. Panama emoyed price stability that has eluded the rest of Latin America, Inflation has been lower than any in the region for one reason: the adoption of the US dollar in 1904 as the official currency.

Among sovereign states, only Liberia and two former is dependencies in the Pacific have taken a similar course. It has meant that the only discretion the government has over its currency, the balboa, is the issue of coms. Money supply is determined hy capital flows and by the balance of trade.

One consequence has been that any budget deficit has had to be financed in dollars. Past deficits, and the debt arrears built up during and after the Noriega era, has left Panama with a high foreign debt - some \$7bn implies per capita debt of around \$2,600.

The country's arrears with on July 17 with the completion of a Brady agreement over commercial bank debt, leading to the issue of some \$3.55n of Brady bonds in place of almost \$4bn of principal and back interest.

The deal leaves the government with a clean sheet and the option of borrowing abroad - one which it has indicated it might take. But it has also beeneathed a heavy debt servicing burden which will from next year. according to planning minister Guillermo Chapman, take up some 27-28 per cent of the government's current income. This will increase beyond 30 per cent in 2001 as

capital becomes repayable

on most of the Brady bonds.

marks from the international financial institutions for its budget management. It is aided by the fact that, unusually in Latin America, contributions to the state pension system currently

exceed payments.

It has also taken action to improva tax collection. which has helped keep the public sector in a surplus last year of 0.2 per cent of gross domestic product, and produce a surplus this year of an expected 1 per cent.

This is despite anaemic growth in the last year. In the early 1990s, Panama was one of the region's fastest growing economies but this was largely due to the recovery from the collapse associwith the US embargo and the invasion of the late 1980s. Growth last year was 1.9 per cent, the slowest of the 1990s and compared with 3.7 per cent in 1994.

Though growth may pick up modestly this year, unemployment remains a pressing issue. It has officially been stagnant for some time at around 13.7 per cent, a figure some consider an underestimate. Youth unemployment is higher, at least 20 per creditors were finally settled cent, and in some urban areas such as Colon it

approximates 30 per cent. Most economic observers believe a diversification of the economy is necessary to generate future growth. Services account for more than 70 per cent of economic activity, and dominate the economy such that bananas are by a long way the most important export. However, none of the service sectors banking, the Colon free trade zone or the canal seems likely to generate

much growth. The case for diversification has been reinforced by the possible pull-out of all the US forces which will occur gradually until the



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and Panama is reached in the meantime. US estimates suggest that last year its military presence in Panama contributed some \$366m to the economy, around 5 per cent of GDP. This will fall to a projected \$195m in 1999, and to negligible levels the year after, unless some troops stay on.

The government accepts the need to diversify the economy. Mr Chapman identified services associated with shipping - helped by the more efficient ports that profit before taxes of only 9

growth. Others included the free trade zone in Colon which should also benefit from port development, tourism, mining and agriculture. The government is also

hoping that the reversion of the areas now occupied by the US military will provide a platform for new economic activities, and encourage foreign investment in areas such as manufacturing. Two Panamanian economists. Marcos Fernández and José Galán, have estimated that a n most of the Brady bonds. end of 1999, unless some will result from reform - as per cent a year will be Despite such pressures, accord between Washington one potential source of needed on the properties

reverting to Panama to replace the revenues from the US military. They estimate the value of the properties at \$4.3bp.

However, some of the government's measures may generate more unemployment before any long-term benefits start to take effect. The government is moving ahead with plans to privatise utilities, the telephone monopoly and other stateowned businesses, most of which are in a difficult postbidding negotiation stages, but which, if successful, are likely initially to reduce

The government has also announced its intention to

join the World Trade Organisation, it is boped in the next six months. As a result, the protection of domestic industry and agriculture will be reduced to the chagrin of many. Mr Chapman points out that as quotas are abolisbed to meet the conditions for membership, the average tariff level will increase from 20 to 32 per cent, However, peak tariffs, which now are as high as 90 per cent, will come down to a maximum 40 per cent.

Mining • by Sally Bowen

A most controversial wealth

Environmental scares and the threat to tribal lands make regular headlines

Since it provided some 30 tonnes of gold to help finance the "invincible" Spanish armada, Panama's mining potential has been one of its best-kept secrets.

A UN study in the 1960s reaffirmed the existence of interesting gold prospects and established three major copper-bearing areas. Subsequently, a \$150m credit from the World Bank kick-started some activity.

Big international players like RTZ, Mitsui, Asarco and Anaconda set up drilling programmes in Panama until exploration financing ran out in 1979. When, two years later, then head-ofstate General Omar Torrijos - an advocate of mining development - died in an aeroplane crash, the state's

interest in mining died too. With today's more stable political and economic climate, Panama poses tantalising challenges to the private investor. The 6bn tonnes of copper in the country's three main identified areas represent the ninth biggest reserves in the world and several foreign mining companies, primarily Canadian, are close to serious commit-

Teck and Inmet Mining of Canada, in association with the Adrian group of Panama, will decide in November whether to proceed with development of the Petiquilla copper deposit. The ambitious project involving construction of roads and a port would cost over \$500m, but the mine would have a 40-year life.

Also pending final results of a feasibility study is the development of Cerro Colorado in Chirlqui province:

with 1.4bn tonnes averaging 0.78 per cent copper, it is the world's fourth-largest, if lowgrade, undeveloped deposit. Panacobre, a subsidiary of Toronto-based Tiomin Resources, already has a 120-

worker camp on site. Investment in a solvent extraction-electrowinning plant to treat the oxides will cost between \$250m and \$300m. Second-stage development could mean \$400mplus, say executives.

Aside from its copper prospects. Panama points to an interesting future in gold. The Greenstone-operated Santa Rosa concession came on stream last year: exports this year will earn about the same as initial investment, some \$25m. Cerro Quema, another new gold deposit Campbell owned by Resources, should net \$23m a year when It starts operating next year, meaning a useful \$50m-plus in foreign exchange for Panama from gold alone.

Lacking a mining tradition, Panamanians are sceptical about, if not openly hostile to, large-scale minerals development. Environmental scare stories and the threat to historic Indian tribal lands make regular newspaper headlines. The government has dragged its feet, failing to approve any new exploration contracts for over a year.

But, around mid-September, the message from frustrated miners got through, and the controller-general gave the green light to eight contracts in a week.

"We've suffered major setbacks and we still bave a lot of educating to do," says Richard Fifer, president of the mining chamber. "But the government is starting to see that, properly developed, mining could grow to 15 per cent of GDP and directly employ 3,000 to 4,000 people within five to seven

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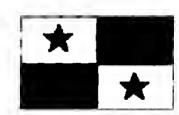
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STRENGTHENING TOWARDS THE NEW CENTURY

PANAMA MUVES AHEAD IIS PRIVAIIZAII EFFORTS OFFERING TOP INVESTMENT **OPPORTUNITIES**





Panama is moving in a fast-tract road to modernize is transport and telecommunications infrastructure attracting foreign firms and fresh investment capital. Among the most recent privatization actions implemented during the current year are: a twenty-year mobile cellular concession to Bell South who offered \$72.0 million dollars in a public bid last January, 1996. toll roads contracts awarded to Mexican firms PYCSA and ICA for a city loop and a transisthmian 4-lane highway amounting over \$400.0 million. Port facilities concessions have been awarded to Evergreen and Hutchison Port HOldings both corporations from Asia. Other projects in the pipeline for 1996-1997 are the following:

- 1. INTEL S.A., the telecommunications corporation is up for sale of its 49% of stock, with over 300,000 phone lines. Second round of its prequalification process has been announced internationally for private corporations to participate in the bid early 1997.
- 2. ATLAPA CONVENTION CENTER. Panama's Convention Center "ATLAPA" will be up for a 15year concession including rights to build a hotel and casino within its premises. The public bid is to take place before the end of the current year.
- 3. CORPORATION AZUCARERA LA VICTORIA (CALV). Two sugar mills are up for privatization with the assistance of Coopers & Lybrand consulting group. CALV controls part of the sugar quota with the United States of America, and the public bid is 10 take place early next year 1997.
- HIPODROMO PRESIDENTE REMON (HPR). Two racetrack operators are negotiating contract with the Government of Panama (GOP) to operate its horse racetrack facilities for 20 years. Final bid process should take place next October/96.
- CASINOS NACIONALES. The Panama Gaming Commission initiated the process to prequalify operators for its 10 existing full casinos and over 11 venues of slot machines. Over a dozen foreign operators are expected to complete in the public bids programmed for the end of the current year, in which the Government of Panama will select 3 operators to run casinos and slot machines venues.
- PUBLIC REGISTRY. New technology will be acquired through an outsourcing contract by Panama's Public Registry. The new technology using "optic imaging" will substantially improve services and provide efficient operations in lieu of its outdated microfilm process. The outsourcing public bid will be announced by the last quarter of 1996.
- 7. POTABLE WATER PLANT. The Institute of Potable Water and Sewers Systems (IDAAN) is to bed a 20.0 million-gallon potable water plant to supply water to the Arraijan-Chorrera -Capira districts. Prequalification request was announced last August, and the public bid should take place no later than end-of-year 1996.
- OTHER PRIVATIZATION ACTIVITIES to be implemented during 1997 are the following: Solid waste collection, administration of the national airport facilities, construction of the jail facilities and postal services among others.

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A sense of urgency

The 'second independence' turns out to be a mixed blessing

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Three weeks ago, the general commanding Panama-based US Army South removed his name plate from the front door of the Fort Amador residence that has housed 20 of his predecessors since 1948. On October 1, Fort Amador becomes Panamanian territory again.

In what some Panamanians are calling a "second independence", some 32,000 ha of US military bases in what was once the Canal Zone are "reverting" to Panama. The staggered withdrawal has been under way since 1979 - when the 1977 treaties between General Omar Torrijos and President Jimmy Carter came into effect - and should be complete by the end of 1999.

Fort Amador is the "jewel in the crown", 84 ha of prime waterfront real estate with three lusb islands linked by a US army-built causeway. There are ambitious plans to turn it into an upmarket resort with a convention centre, a monorail, shopping malls, time-share villas and a terminal for cruise ships. It is only a few minntes' drive from the capital.

According to Nicolas Ardito Barletta, once elected president of Panama and now beading the Interoceanic Regional Authority (ARI), the agency charged with incorporating the "reverted" areas, there are seven proposals for Fort Amador involving investment of \$300m in six years. The contract, with a group of Koreen-Americans "is

now being signed", he said. Although the US withdrawal has been planned for almost two decades, it is only in the past year or so that any sense of urgency has descended. Suddenly, Panamanians realised the economic benefits of a US presence: the bases are estimated to contribute up to 5 per cent of GDP. Over 4,000 Panamanians are employed directly by the US, another

The bases may indeed be attractive, particularly for their location. Although estimates of their worth vary, a recent study puts the value of land and improvements at \$4.3bn. Upkeep, however, is daunting: basic maintenance on Forts Davis and Espinar alone, transferred last year. costs \$260,000 a month.

Following some heeted debate over the trade-offs between sovereignty and economic benefits, opinion polls earlier this year favoured a continuance of the US presence. However, if no rent is paid - out of the question, according to US officials - then most Panamanians would rather see the gringos leave.

The problem for Panama is what to do with the land and installations. Coco Solo on the Atlantic side of the isthmus serves as a grim reminder of what the tropics can do to buildings that are not maintained. Once an attractive complex, the Coco Solo base "reverted" in 1991 and today, apart from the squatters who have moved in, it lies in desolate decay, weeds thrusting through the hard tennis courts.

ARI is supposed to avoid any repeat of Coco Solo. Three years into a 10-year mandate, it has full authority to receive and maintain properties, plan their use privatise them and deposit revenues into a "national development fund" earmarked for social and infrastructure spending.

"We're putting in pisce a development strategy which gives priority first to maritime business, second to export promotion, third to tourism and fourth to creating a 'city of knowledge',' says Mr Ardito Barletta. "Our policy is to create an administrative environment to attract foreign investment

into profitable activities." The ARI authorities can point to some successes. On the Coco Solo waterfront. the \$220m Manzanillo International Terminal for container ships, built as a US-Panamanian joint venture in 1994, is building e thriving trade. Evergreen, the Taiwanese shipping conglomerate, is constructing a similar facility on reverted land.

Fort Davis, also at tha canal's Atlantic end close to the Colon Free Zone, is optimistically scheduled as an export processing zone. ARI. has signed a joint venture with a Taiwanese government-created holding company. With Panama providing infrastructure and housing for Taiwanese managers, it is hoped to employ thousands locally in manu-

facture of plastics, toys, auto

parts and textiles.

ARI officials say their brief is "to sell as much as possible, not remain the lessor". So far it has disposed of 300 of the thousands of houses on the bases et prices ranging from \$90,000 to \$90,000 and applying, somewhat vaguely, "social criteria" in its decisions. Proceeds are supposed to go to a special fund to build low-cost hous-

ing for Panama's poor. Another of ARI's duties is to protect the vital canal watershed from invasion by squatters or small farmers. To data it has granted 3,500 ha as concessions to local businessmen for reforestation projects.

Even so late in the day, some continued US presence cannot be ruled out. Formal bilateral discussions planned for November 1995 were suspended at Panama's request but, according to US officials, informal talks have continued. The US government has also proposed that John Negroponte - former US ambassador to the Philippines, Mexico and Honduras - act as "co-ordinator for post-2000 issues", suggesting that US interest in Panama

is far from dead. One suggestion, made by President Pérez Balledares this year, would be to turn Howard Air Force Base with lts radars and sophisticated intelligence-gathering equipment into a counter-narcotics centre for Latin America.

"It's implicit that such a centre would be multileteral," says a US official, "As well as intelligence-eathering, It would to some extent co-ordinate cross-border operations and provide law enforcement training."



Optimists

predict

a boom

Enrique Pesantez has been

selling Panama as e tourist

destination for 28 years — not always an easy job. At

best, foreigners associate his

country with the Canal and

duty-free shopping; at worst,

"Paname has an unusual

mix of native culture, rain

forests, adventure tourism

and unspoiled beaches," he

Panamanians speak English.

says. The dollar currency

edds to the appeal for the

North American tourist. But much groundwork

and the fact that most

with troops and drug

smuggling.

A ship passes through the Panama Canal, the country's 'biggest industry

■ Shipping and tourism • by Sally Bowen

A sea change in image

Last year Panama's shipping registry celebrated its 70th birthday by gaining election to the ruling council of the International Maritime Organisation (IMO), It is a welcome change in image for what is now the world's largest registry, but one which has for years been criticised for lax safety standards.

'We've paid our debts so we're in good financial standing, and our inspection system is improved," says Abraham Sofer, the registry's director-general since 1994. It is also focusing on registering new, larger vessels, which raises overall echnical standards, he says.

A new law passed in July 1995 gives discounts of np to 20 per cent to shipowners who register at least three vessels totalling 50,000 to 100,000 gross tonnes. Over that weight, the group discount can rise to 50 per cent.

Panama is also trying to lure vessels registered elsewhere. The directorate-general can waive fees for the first year for ship-owners who switch, providing the vessels remain under the Panamanian flag for a mini-

mum of four years. Even though forthcoming that only 16 per cent of entry to the WTO has obliged Panama to forfeit the foreign visitors (just over long-established consular involce requirement (worth up to 50m a year), the regisyear) are "real" tourists: the try will still bring in over others are on husiness, commercial shopping trips \$44m in revenue this year, only slightly down on 1995's

record-breaking \$47.5m. The number of registered in a country of 2.6m vessels in September stood at 13,618. Although this is only 1,800 more than in 1984, in the same 12 years gross tonnage has more than doubled to more than 101m

leisure investment is military hase on a prime capital.

Panama's only airline. privately-owned Copa, is also helping put the country on the map. It flies to 22 destinations in 16 countries. and the 120,000 passengers it carried in 1988 have grown to 700,000 this year.

The government would chylously like to increase revenue from tourism estimated at \$270m last year - and sees it as a source of much-needed employment. This year, for the first time, government and the private sector bave joined forces to create a tourism promotion fund. It expects to spend \$3m next year.

needs doing. The national tourist board IPAT estimates half a million came through the international airport last

or visiting relatives. Panama's existing tourist infrastructure is inadequate. inhabitants, there are only about 7,000 botel rooms, few heach resort fscilities, and poor road communications.

However, optimists are convinced a boom is on the way. Four first-class hotels are under construction in Panama City and a \$300m planned in the next six years in Fort Amador, a former US waterfront site close to the

■ The canal • by Sally Bowen

The 'road' to riches

As US handover nears, Panama gears up for a slicker operation

In the control room at Miraflores locks, canal oparations proceed as smoothly as the giant ships glide through the massive gates outside. Controllers keep a watchful eye on the original brass gauges, installed in 1914 and, like the canal, built to last.

At noon on the last day of the century, control of the canal will pass to Panamanian hands, ending 86 years of US dominance. The pros-pect is making some members of the world shipping community nervous.

It shouldn't, says Alberto Aleman, the newly-ap-pointed administrator of the Panama Canal Commission (PCC) and only the second Panamanian to hold the position. "The Panama Canal is going to be our most important industry. We must be cost-efficient and responsive to our clients. They can be reassured we'll take very good care of the business," he says.

The recently-announced two-stage 16 per cent toll increase will not be the last, but Mr Aleman vows the canal will not become a "cash cow", as some fear.

Panamanians alreedy effectively run the canal: only around 650 Americans remain in a total permanent workforce of 7,500. The law which will govern post-2000 canal management - currently at draft stage - calls for a quasi-independent board of 11 national directors and gives the new Pan-ama Canal Authority president a cabinet seat.

Canal authorities expect core business to remain essentially the same after the transfer. Handling of bulk grains, especially from the US and Canada to Asia, bas expanded in the past couple of years, and traffic to and from the fast-opening markets of China and Latin America is also growing. Last year, canal tolls on

higher than in 1994. Around \$100m a year goes to the Panamanian treasury. The remainder - for the canal is theoretically theoretically non-profit-making - enters the economy through wages, maintenance and improvements and improvements.

Jack to the drawing board

Mr Aleman believes the 4: canal can do even better. High on his priority list is reducing the average time spent by vessels in canal waters: this has jumped to 33 hours from 24 over the past two years. "Time is more important to shippers than

the toll," be says. The widening of the Gaillard Cut, the only part of the canal where large vessels cannot presently pass, is being accelerated, to be com-pleted by 2002, 12 years earlier than originally planned. Executives say this will increase capacity for ships in transit hy 20 per cent.

Canal authorities are also investing in new tugs and bydreulic equipment. Most of the improvements will be complete by 2003, all by 2005. After that, the canal's only prospect for expansion is the bugely ambitious project for a third set of locks - recommended hy a US-Japanese commission three years ago but not officially accepted.

The principal limitation on expansion is water. Eech transit uses 52m US gallons from man-made Getup Lake. Another set of locks would demand a new watershed and engineering work. Costs would be astronomical.

canal's inability to handle the huge new containers vessels known as "post-panamax". Almost a quarter of new vessels built worldwide: today are post-panamax. within five years, that figure will rise to 50 per cent. Already, around 30 per cent of all vessels transiting the canal are at 160ft wide, the maximum size for the locks. With the container transshipment business booming. the trans-isthmian railway link being upgraded; and other countries like Nicaragua evaluating the possibilities of building a rival "dry canal", Mr Aleman may be almost 13,500 transits earned fully occupled in maintaina record \$460m. 10 per cent ing the canal's status quo.

■ Infrastructure and privatisation • by Sally Bowen

At the Crossroads of the Americas, Panama offers a Wealth of Investment Opportunities

Spanish Conquistadors fought over the riches of Panama throughout the centuries. Four hundred years ago they knew what many investors are discovering today: Paname offers a wealth of opportunity - not only in gold (the Petaquilla goldand-copper mine is estimated to be worth US\$800 million) but in beautiful beaches, priceless sunsets and a pro-business government that welcomes investors.

the lend surrounding the Panama Canal, the country has undertaken the largest resi estate project of the century. At the helm of these efforts is the Interoceanic Region Authority (ARI), en agency created specifically to promote and coordinate Investment In the Canel areas.

ass At the crossroads of the Americas, Panama is home to en International banking center, the largest free trade zone outside Asla and e steble, doller-based economy. The Government of Peneme is committed to modernizing the country's economy and has initiated reforms of the labor,

The Panama Canal areas ere Latin America's best investment opportunity. With thousands of buildings, roads, electricity and e plentiful water supply, this region is perfect for hotel development, eco-tourism projects and industrial parks that heve direct access to transshipment centers and ports.

Panama's opening economy and growing business opportunities are causing investors to take note. Evergreen, Enterprise Trust Group are just a few of the companies

For information about investment in the Panama Canal areas, please contact: ARI Promotion and Marketing Department, Tel. (507) 229-5668 / 8146 Fax. 507-228-7488 · Email. ari@sinfo.net

isions attract criticism

Electricity, ports, rail, telephones are all on the list

As a heavily service-based economy, and unlike most other Latin American countries, Panama has virtually no state-owned industry. Apart from a cement factory already privitised and a handful of oddfties such as a sugar mill and a racecourse, the current administration is concerned with transferring basic infrastructure to the private sector and attracting

much-needed investment "Our economy cannot resolve the problems of poverty and unemployment by selling among ourselves." says Guillermo Chapman, planning and economy minister. "Privatisation of our ports will save expenditure and increase revenues. The same with electricity and telephones.

In the case of profit-making state-owned telecommunications company Intel, Mr Chapman admits the state will suffer some reduction in direct income "in the first two or three years of privatesector mansgement". After that, he expects net income to grow steadily.

To date, the greatest advances in infrastructure privatisation bave been in ports. Close to Colón, at the Atlantic end of the canal, six spanking-new gantry cranes and towering stacks of containers bear witness to the success of the two-year old Manzanillo International Terminal (MIT)

A joint venture between Panama's Motores Internacionales S.A. and Seattlebased Stevedoring Services, MIT obtained a 20-year renewable concession for the former US navy seaplane base in 1994. Initial investment in ro-ro berths and container facilities exceeded \$120m: the second-stage expansion under way involves another \$100m. Close by at Coco Solo, the

Taiwanese shipping line Evergreen - the world's largest container operator - is bulldozing e 25 ha site prior to constructing a \$85m wide-berth facility. Initially, it will have capacity to unload two of Evergreen's largest national bidders demand container vessels simulta- clear rules of the game.

neously: further expansion is on the cards. We consider Panama will

become a hub, a container terminal for distribution to all of South America," says Yueb-terng Lin, CEO of Evergreen's Panama operations. Currently. 140 Evergreen vessels a year pass through Panama, the huge "mother" vessels unloading to smaller "feeder" ships which distribute cargo to Colombian and Venezuelan ports and around the Caribbean.

Once it starts operating next August, Coco Solo will compete with MIT. It will also take important business away from Cristobal, the nearby state-owned seaport recently swarded via international tender to Hutchison international of Hong Kong. Although contracts have yet to be signed, Hutchison has also won the concession to Balboa, the port at the canal's Pacific end

The concession for the 48mile trans-isthmian railway, meanwhile, has gone to Kansas City Southern and two Panamanian partners. Constructed in 1855 and rebuilt in 1905 as part of the Panama Canal project, the railway deteriorated badly once the US handed it back to Panama in 1979. Kansas City Southern is to rehabilitate it and convert it into an effi-

cient inter-modal link. Handling of recent privatisations has provoked sharp criticisms in some quarters. Mr William Hughes, US ambassador to Panama, accused the Panamanian government of sending "a signal to world investors they can't expect just treatment in Panama" when it abruptly rejected US construction giant Bechtel's offer for the two ports and the connecting trans-isthmian railway and modified hidding procedures.

While admitting a "lack of expertise on our part", Mr Chapman rejects US criticisms. Bechtel's offer, he says, was "completely unacceptable", and the US protests "sheer propaganda".

Nevertheless, the impression remains of a disorderly, sometimes autocratic management of processes. inter-

reinforced by concessions granted for two vital tollroads designed to free Panama City from its dally rushhour traffic snarl-ups. The so-called Corredor Sur was recently assigned to Mexican construction company ICA, whose bid was substantially

higher than its rival's. The government's plan to finance construction by granting the winner an area of potentially prime seafront real estate has resulted in a wave of criticism and allegations of kickbacks.

Privatisers hope the sell-off of telecommunications company Intel, already under way, will prove more transparent. Following an unexpected cabinet decision to exclude bids from any company that still has state participation (such as Spain's Telefonica, which has bought into several other Latin American telecoms privatisations), Intel presently hae only one

suitor: GTE of the US. A second pre-qualification round was called in mid-September. Potential bidders such as Cable and Wireless which has sbown a renewed interest - must register by the end of October. Assisted by investment bank Salomon Brothers, intel has embarked on road-shows in the US. Japan, Singapore and Korea. Bid envelopes are scheduled for opening in late March

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Although it must compete with far larger forthcoming telecoms privatisations such as Brazil's, Intel looks relâtively attractive. With assets of \$430m, it billed \$240m last year, turning in \$120m in net profit. Levels of unsatisfied demand are high and Intel executives say current provision of almost 11 lines per 100 inhabitants could be doubied in five years, the likely monopoly period for the new operator.

Wholly-owned subsidiary-Intelcel has rights to Panama's second cellular telephone band. The first was sold at auction earlier this: year to Bell South for an unexpectedly generons

The government is offering 49 per cent, retaining the same percentage for itself and depositing the remaining 2 per cent in a trust fund

for company workers.
Though Intel managers. are reluctant to predict a final price, all proceeds from this and other privatisations are officially destined for a "social development fund" to finance infrastructure pro-

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PANAMA





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As the U.S. continues the process of turning over to Penama

markime end tourism laws, privatizations, and the creetion of

200 Radisson Hoteis, Stevedoring Services of America and United underteking muiti-million dollar projects in Panama today.



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Back to the drawing board MENDERS OF THE PARTY.

The Venice Biennale of Architecture is dominated by computer-designed play kits, writes William Packer

ture at Venice, this year under the direction of the Austrian architect and academic, Hans Ballhein, takes Sensing the Figure as its title - which is at once portentous, self-important and meaningless. The subtitle is perhaps the more worrying: "The architect as seismograph". Really? Does not the seismograph record what has already hap-pened, and unpredictably and usually disastrously at that?

In the event, like the Biennale of the Fine Arts with which it newsdays plays box-and-cox, it pays only occasional lip-service to its given theme, and is dense, dall entertaining and fascinating by furns, if - for these are archiects we are dealing with after all - a little smarter and betterdissed. Best-dressed of all, the habit of countless Biennales, is the British Pavilion, with e quar-tel of displays that, in its scope,

sims up the Riennale as a whole. With Colin Wilson's British Library in pride of place, we have the worthy institutional face of modernism - massive, formless, conscientions, dull. We look into these interiors, with their interrupted rhythms and truncated spaces e staircase here, a balcony there, that no amount of detail can rescue into coherency, for all the talk of "body-ianguage" and "e high sensitivity to degrees of spatial envelopment or exposure. We look at the exterior, with its arhitrary play-kit variety making do for true invention, and we can only look across

irmingham Royal Bal-

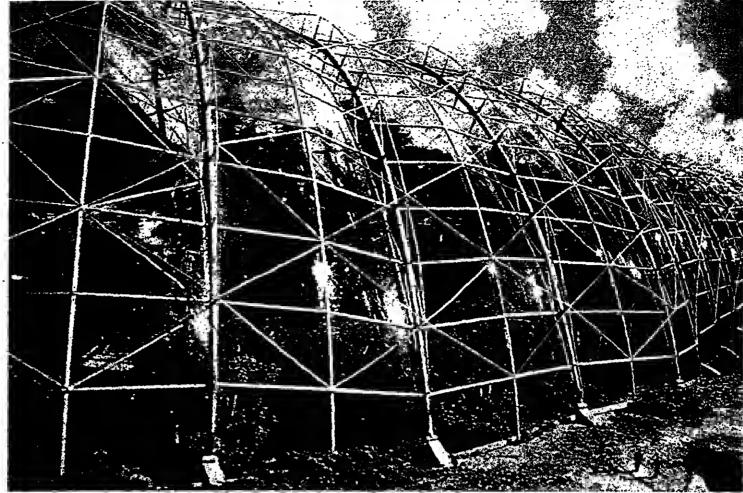
let's triple bill, which I saw on Thursday night

at the Hippodrome, is cunningly and well planned. Its scores each use music re-worked:

he 6th International with envy and regret at the great sweep and confident simplicity of the Victorian St Pancras Station roof next door.

The truth is borne in on us, to be reinferced repeatedly throughout the Biennale, that such things could only have been designed - not worked out or refined in purely engineering terms, but designed - on the computer. The Parthenon, Durham Cathedral, S. Giorgio Maggiore, were not designed on the computer. Back to the drawing hoard, we used to say, but it seems from the evidence here that beyond the scribble-pad or the back of an envelope, our modern architect would hardly know what a drawing board was. And that lack of drawing, as e fundamental technique, for the richness of detail and invention and the unity of vision that it naturally imposes, shows.

The very point is made, albeit with an unwitting irony, in the design by MacCormac Jamieson Prichard for the new Ruskin Library at Lancaster University. It is accomplished in its elegant modernism, of a modest scale on a split elliptical plan, with its two curved curtain walls kept apart by a central spine with entrance at either end. But it is the emphatic reference to Ruskin's own drawings in the supporting display, celebrating the Venetian gothic in all its rich inventiveness, that tells us bow mechanical an exercise this is. The architects' own apologia abounds in Ruskinian reference and theoretical justification, beliefs sincerely beld and stated, but could they



A simple exercise in enclosure: Nicholas Grimshaw's Eden Project, the most technologically adventurous of all

even have begun, let alone dared. to violate the blank conventional modernism of the exterior? Would they look as far as even the least of the gothic façades on the Grand Canal, that were Ruskin's material and true subject? It would seem they got no farther

than the railway station. With Norman Foster'e Carré d'Art et Nimes, we come to the high-tech avant-garde of 20 years ago now become safe, conventional and academic. No harm in that. It has been done superhly. at once unaffectedly of its time and yet perfectly et one with the Roman temple beside it. The lesson we should take from it is that architecture is an art of renewal or it is nothing, and our "Heritage", dutifully preserved, would be all mud huts and turf roofs. Pseudo-Classical at Nimes would

heve been as ludicrous as pseudo-Wyattville at Windsor Castle.

The problem with Foster is again that of the dominance of technology over a proper creativity. The exterior at Nimes is wonderfully convincing, but inside it is all ingenious airport, fine views, somewhere to sit down, a cube bere and a cube there in which to do this or that, but air-

Nicbolas Grimshaw's Eden Project is the most technologically adventurous of all, but the more successful for being set to so direct and simple a purpose. Like that huge Victorian glass canopy across St Pancras, or his own serpentine arches at Waterloo, it is in essence a simple exercise in enclosure. A disused quarry in Cornwall, nearly a mile long, is to be given back to nature in a sequence of discrete enclosures each with a micro-climate of its own, with vegetation to metch - temperate, sub-tropical, desert and so forth - through which the visitor will move on elevated walkways.

Elsewhere, the German pavil-lon takes up the theme of environmental regeneration with its recreational use of old coal mines, factories and quarries, and its acceptance of benign decay. The Spanish pavilion offers an object lesson in proper restoration, that the Venetians themselves might take to heart, in the rebuilding and substantial extension of the magnificent Gran Teatre del Liceu of Barcelona, destroyed by fire in 1994. The US gives us the Walt Disney Company as architects, with its theme-park imperialism and its

naive, clod-bopping belief in the American Way. Here is an architecture of the future without irony, finesse or the least self-doubt; the stuff of night-

Hungary's Gáhor Bachman, with his magnificently sculptural models of the "Architecture of Nothing", that sit like the insect monsters of science-fiction, is more honestly engaging in his vision of the future. And only Japan, with its pavilion filled with the a rubble-strewn evocation of the Kohe eartbquake, would seem to have taken the point. It is indeed an intriguing

Sensing the Future - the Architect as Seismograph: Giardini di Castello, Venice, until November

Constant Lambert's galvanising of Meyerbeer for Les Patineurs; Tchaikovsky done over by Stra-1 3 July 1 ... O 44

vinsky for Le Baiser de la fée, and by Duke Ellington for his jazz version of Nutcracker's secondshaped programme, having a hright beginning (Patineurs), e serious middle (James Kudelka's new Baiser) and an ebullient end (David Bintley's latest creation for his troupe, The Nutcracker Stravinsky's adaptation of

Tchaikovsky was an act of bomage and of deep affection. (It is an incidental joke of the evening to recall Lambert's detestation of what he called Stravinsky'e "time-travelling"; be dismissed Baiser as being like a collaboration between Marcus Stone and Francis Picabia). The score, pace Lambert wbom I revered, is a marvel in its transformations of Tchaikovskian melody and rhythm, and it has a dynamic pulse and an emotional momentum that are subtly paced. It is music haunted by the idea of the Fairy'a kiss which will single out a youth from the common run of mankind (be it through the touch of genius or some unhappier strain in the psyche), and by a true Tchaikovskian melancholy. It has, in my experience, had two great realisations: that by BalanBallet/Clement Crisp

Bintley's romp danced to the hilt

Covent Garden in 1960, with the unforgettable cast of Beriosova as the Fairy. Lynn Seymour as the Fiancee, Donald MacLeary as the Young Man, and with superlative design by Kenneth Rowell. This letest version by the Canadian choreographer James Kudelka is, alas, negligible. There are beautiful Alpine sets

by Nadine Baylis, and rather less beautiful costumes - the supernatural beings wear, if female, 1930s evening drese; if male, gauzy jodhpurs and fright wigs. For no obvious reason Kndelka has complicated the action, and a programme note hints at a less than savoury attraction between the fairy (now "The Ice Maiden") and a stalwart tot who has carelessly fallen down a crevasse with his mother, who will grow up to be Michael O'Hare and the Ice Maiden'a destined mate.

Worse, Kndelka'e choreography shows little sympathy with the fascinating pulse of the music, or with its emotionally saturated theme. There are peasant chaps who indulge interminably in Old Bavarian slappings of foot, thigh

chine in New York, infinitely and anything else within hand's subtle, and Kenneth MacMillan's reach - activity hugely lowering rbythmic identity. Flat ecademism much occuples the Ice Maiden (Sabrina Lenzi) and ber girls, and neither Michael O'Hare nor Leticia Muller make much of their roles as Young Man and his affianced, both looking o'erparted. The pathos of the tale -the Girl's loss of ber beloved goes for nothing, and the apotheosis, where "None but the lonely hart" must stretch into infinity, is trankly dull. The piece is a disappointment, and the more so in that the MacMillan version is long overdue for return to the repertory.

> avid Bintley's The Nutcracker Sweeties is a romp, dashingly designed by Jasper Conran (clothes) and Peter J. Davison (sets), and danced to the hilt hy most of its cast. The score by Duke Ellington and Billy Strayborn is, like Stravinsky's, an act of deconstruction, with Tchaikovsky jazzed almost out of sight (and splendidly, if ear-splittingly, played by the hrass of the Birmingham Sinfonia under Paul

Murphy). Davison's set - a sky-scraper and visiting bits of neon or cut-out jollities - frames Con-ran's dashing costumes, which are sassy, clever and, especially in the flower-waltz skirts, ravishing in cut. Bintley's dances are no less

clever in responding to the score's blatancies, and are done with tremendous élan by his cast. His Spanish dance is the ultimate on the tango and on Flamenco posturings, and is shown with total command of its every ludicrous moment by Chenca Williams (who has a flawless sense of timing) and Joseph Cipolla (wearing a toreador's bat and the deadest of pans). That it also contains a nod and a wink towards Facade's tango is a nice added joke: there are several such in the ballet. Sweeties, which pulls no boisterous punches, is going to he a crowd-pleaser.

About Patineurs, I can report that its charms are still a delight and its structure a marvel. Members of the cast are just starting to find their way onto its slippery surfece. They looked e hit nervous - the ice will bear them, never fear - and Dorcas Walters and Sandra Medgwick are already fearless in their myriad spins. Chi Cao is soon going to be a fine Blue Skater: be has technique to spare and an elegant manner. And, as a weather report, I note that snow fell in Patineurs and in Baiser, but not in this new Nutcracker. Global warming, I suppose.

Concert/David Murray

'Renewal' looks to the past

unday's BBC Symphony with dense string-chords, set off conducted been hy Andrew Davis, hut he was indisposed. At short notice the lahour was divided between two conductors: Oliver Knussen for the premiere of Colin Matthews' massive Renewal, and Petr Altrichter - conductor-elect of the Royal Liverpool Philharmonic, from next season - for Janáček's everbracing "Glagolitic" Mass. They made e very good evening.

The Matthews piece, which takes the better part of an hour. is another BBC commission for the 50th anniversary of the Third Programme. As it happens. Matthews himself turns 50 this year. and Renewal finds him in retrospective mood. One of its four movements is his already muchedmired Broken Symmetry, commissioned by the BBC four years ego: now it has become the scherzo" of Renewal.

The gritty, powerful Intrada (without strings) which opens the new work uses related material. That movement is a 70th-hirthday present for Hans Werner Henze, and Threnody, the second movement - seething quietly

concert at the Royal Fes- by piano and harp - a memorial Metamorphosis. Matthews sets a passage from Ovid for cborus. singing with hated breath; toward the end, the orchestra echoes earlier parts of the work, making a gentle recapitulation.

At first hearing, only this movement seemed diffuse, perhans too understated to compete with the riotous Broken Summetry that precedes it; hut future performances may correct that impression. Otherwise, Matthews' expert, original orcbestral writing, and the violent contrasts between the movements, made Renewal singularly impressive In the "Glagolitic" Mass, Altri-

chter did more than conduct a heeutifully idiomatic performance. This was a reading of unusual tenderness, particularly in the "Veruju" (the Credo): the glorious pomp of the outer movements was not allowed to overshadow the introspective music. The BBC Chorus were in clarion voice, and among the soloists Evá Urbanova and Denes Gulyas especially shone, as did Wayne Marshall in the hravura organ solos.

Theatre A Prince distracted

n the press night, Philip Prowse's production of Hamlet went up absolutely on time, unfortunately for the third or so of the audience who had not yet made it to their seats but who needs the opening dialogue on the battlements after all? In fact, running briskly throughout and clocking in at under three hours all told, this Hamlet boasts fewer delays than my rail journey on my wey to see it. It is, however, equally uneventful theatrically.

Prowse has gone for broad clarity of mood rather than the moment-to-moment linewistic variety: we understand in general terms what any given character is feeling, but the terms of rhetorical phrase canter away at such a clip that we may miss many of them. Only Robert Gwilym as Clandius (after the first court scene in which neither the character nor the actor seems especially interested in his lines) consistently guides us through every gradation of his thoughts and feelings.

Cal MacAninch's Hamlet is at once ntierly introverted and a stranger to himself: not only does he roam frantically about both the court and the "stage" during the players' presentation. oblivious to the fact that be is causing more consternation than even he intended, hut earlier he proves so irritated by the Ghost's subterranean chant of "Swear" that he tries to stamp the spirit voice into silence.

His closet scene with Gertrude is devoid of quasi-incestuous tension until what can only be described as a parting snog; this comes out of the hlue as far as our perceptions of both characters are concerned - for Hamlet it seems a sudden spasm of gennine madness, and for the hitherto entirely proper and un-sirenly Gertrude (Ann Mitchell), simply unthinkable.

Tristram Wymark's Laertes is his father's son, a self-important pain; Ophelia (Sophie Ward) seems more mature than her brother, hut always somewhat overwrought and ends np spitting every line venomonsly in her mad scenes. At times Rosencraptz and Guildenstern seem closer to their Stoppardian than their Shakespearian

rowse's design is characteristically brash and by turns impressive. masonry fly in and out: unfortunate, as the said slahs wobble when actors edge out through the slim gaps between them; and mystifying: why are a crowd of minor courtiers dressed in clown and devil masks in the final duel scene? Why does the clay-faced Gravedigger amble through the opening court episode, whistling a dirge? Presumably Prowse means to relocate Hamlet within the genre of Elizabethan/Jacohian revenge tragedies, with their frequent forays into the realms of the grotesque: in fact he succeeds only in cansing head-scratching distraction.

There are to be at least two other major Hamlets this autumn, at Greenwich and Norwich, with Alex Jennings rounding things off at the RSC next May: this production is likely to find itself eclipsed.

Ian Shuttleworth

At the Citizens Theatre, Glasgow until Oct 19 (0141 429 0022).



■ AMSTERDAM

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 Nederlands Philharmonisch Orkest: with conductor Ken-Ichino Kobayashi, violinist isabelle van Keulen and organ-player Leo van Doeselear perform works by Berlioz and Saint-Saens; 8.15pm; Oct 2, 3, 4

ANTWERP

THEATRE De Singel Tel: 32-3-2483800 Porcile: by Pasolini (in Dutch). Directed by Johan Simons and Paul Koek, performed by Theatergroep Hollandia; Tue-Sat 8pm; to Oct 12 (Not Sun or Mon)

BERLIN

DANCE Staatsoper Unter den Linden Tel: 49-30-20354438 Apropos Scheherazade: a choreography by Meurice Bejart to music by Ravel/Stravinksy/

Rimsky-Korskavov, performed by the Staatsballett Unter den Linden. Soloists inculde Steffi Scherzer and Oliver Matz; 8pm; Oct 2, 4 (7.30pm)

OPERA Deutsche Oper Berlin Tel: 49-30-3438401 Martha oder der Markt zu Richmond: by Von Flotow. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Amanda Halgrimson, Camille Capasso and Clemens Bieber: 7.30pm; Oct 2

BONN

DANCE Oper der Stadt Bonn Tel: 49-228-7281 A Midsummer Night's Dream:

a choreography by Youri Vamos to music by Mendelssohn, performed by the Ballett der Stadt Bonn, Soloists include Vadim Bondar and Alexej Moussatov; 7pm; Oct 3, 5

■ CHICAGO

MUSICAL The Goodman Theatre Tel: 1-312-443-3800

 Randy Newman's Faust a new musical cornedy with music and lyrics by Randy Newman, book by Randy Newman and David Mamet; Tue-Thu, Sun 7.30pm, Fri, Sat 8pm, Thu, Sat, Sun also 2pm; to Nov 2 (Not Mon)

COLOGNE

CONCERT

Kölner Philhermonie Tel: 49-221-2040820

 Jessye Norman: recital by the soprano, accompanied by pianist Mark Markham. The programme includes works by Brahms, Wolf, Wagner and Carter, 8pm; Oct 2

DUBLIN

CONCERT National Concert Hell -Ceoláres Náisiúnta Tel: 353-1-6711888 Vogler String Quartet: featuring

violinists Tim Vogler and Frank Reinecke, viola-player Stafan Fehlandt and cellist Stephan Forck, perform works by Beethoven, Brahms and Mozart: 8pm; Oct 2

DUSSELDORF

OPERA Opemhaus Düsseldorf Tel: 49-211-89080 Le Nozze di Figaro: by Mozart. Conducted by Zoltán Peskó and performed by the Deutsche Oper

HANOVER

am Rhein; 7.30pm; Oct 2

DANCE Opernhaus Tel: 49-511-1686161 The Sleeping Beauty, a

choreography by Lothar Höfgen and Mehmet Balkan to music by Tchaikovksy, performed by the Hannover Staatsballett; 7.30pm; Oct 2

HELSINKI

CONCERT Finlandia-talo - Finlandie Hall

Tel: 358-0-40241 Lahden Orchestra: with conductor Osmo Vänskä and pianist Andrei Gavrilov perform works by Kokkonen, Beethoven and Nielsen; 7pm; Oct

LONDON

CONCERT Barbican Hell Tel:

44-171-6384141 London Mozart Players: with conductor Matthias Barriert and guitarist Julian Bream perform works by Haydn, Gluliani and Mozart; 8pm; Oct 2 Royal Festival Hall Tel: 44-171-9604242

 BBC Concert Orchestra; with conductor Nicholas Cleobury. cellist Julian Lloyd Webber and organist John Scott perform works by Smetana, Sibelius, Elgar and Saint-Saens; 7.30pm;

London Coliseum Tel: 44-171-8360111

 Don Quixote: by Massanet. Conducted by Emmanuel Joel and performed by the English National Opera. Soloists include Richard Van Allan, Sally Burgess and Nicholas Folwell; 7.30pm; Oct

Royal Opera House - Covent Garden Tel: 44-171-2129234 Das Rheingold: by Wagner. Conducted by Bernard Haitink and performed by the Royal Opera. Soloists include Rita Cullis, Rosemary Johnson, Gillian Webster and Leah-Marlan Jones;

7.30pm; Oct 2

MILAN **OPERA**

Teatro alla Scala di Milano Tel: 39-2-72003744 Outis: by Berio. Conducted by David Robertson and performed by the Opera alla Scala. Soloists include Tatiana Poluektova, Elizabeth Lombardini Smith, Alan Opie and Carlo Morini; 8pm; Oct 2, 4, 5 (3pm), 7

NEW YORK

CONCERT Merkin Concert Hall - Abraham Goodman House Tel: 1-212-5013330

 Absolute Ensemble: with violinist Gao Xiang perform works by Bloch, Stravinsky and Beethoven; 8pm; Oct 2

Metropolitan Opera House Tel: 1-212-362-6000 La Traviata: by Verdi. Conducted by Plácido Domingo, performed by the Metropolitan Opera. Soloists include Loukianetz, Giordani and Alvarez:

DPERA

■ TORONTO OPERA OKeefe Centre for the

8pm; Oct 2, 5

Performing Arts Tel: 1-416-393-7474 Elektra: by R. Strauss. Conducted by John Crosby, performed by the Canadian Opera Company. Soloists include Susan Marie Pierson, Susan Shafer,

Makvala Kasrashvili, Claudio Otelli and Quade Winter; 8pm; Oct 2

VIENNA **OPERA**

Wiener Staatsoper Tel: 43-1-514442960

 Die Entführung aus dem Serail: by Mozart. Conducted by Asher isch, performed by the Wiener Staatsoper. Soloists include Michael Schade and Kurt Rydl; 7.30pm; Oct 3

■ WASHINGTON

DANCE Terrace Theater Tel: 1-202-467

The Washington Ballet: perform Balanchine's Concerto Barocco, Choo-San Goh's Birds of Paradise and two world premiere pieces of Lynn Cote and Simon Dow; 7.30pm; Oct 2, 3, 4, 5 (also 2pm)

ZURICH

6666

OPERA Opernhaus Zürich Tel: 41-1-268

 Il Matrimonio Segreto: by Cimarosa. Conducted by Adam Fischer and performed by the Oper Zürich. Soloists include Malin Hartellus, Isabel Rey, Stefania Kaluza and Anton

Scharinger; 7.30pm; Oct 2

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COMMENT & ANALYSIS



Martin Wolf

The danger of dithering

The UK's indecision about joining Emu is tantamount to a betrayal of democracy. If the choice is being in or out, on its own, it is better to be in

Europe.

An optimist would argue

that once they have elimi-

nated the exchange rate.

lowered inflation and

started to tackle their fiscal

problems, member states

will have to address their

distorted labour markets.

This pig might fly: than

again it might not, in which

case there would be trouble.

Conflicts will loom when-

ever some members suffer

from greater structural or

cyclical difficulties than oth-

ers. Countries will fight

over freedom to use fiscal

policy in response to cycli-cal disturbances - the pro-

posed "stability pect" will

cians will translate domestic

difficulties into fierce cam-

paigns against the European

but one that will be taken.

The question is how the UK

should respond. The imme-

diate choice is simple: either

the country tries to enter

among the first participants

or it decides not to do so. It

to join in 1999 it should

rejoin the exchange rate

mechanism in early 1997

also urgent. If Britain is

Emn is indeed e gamble,

Central Bank.

nsure that. Populist politi-

The UK shows symptoms of Sweden. Even Italy and Greece are beginning to make serious efforts. Maybe a nervous breakdown. It is not merely unable to make the choice that confronts it, the latter two will not be it is unable even to admit its allowed in by 1999. But by existence. As in the 1930s 2001 they could have done and again in the 1950s, the enough to scrape a pass. It would be impossible to keep Italy out if it failed only the country would prefer not to think about the alternatives. in the bope they will go indebtedness test, unless Belgium were also excluded. away. They will not. The choice is over And if everyone bar the UK wbether the UK sbould join

European economic and monetary union when it begins, be it in 1999 or shortly thereafter. Not only will Emu happen, but virtually every member of the European Union will join if not immediately, then in e few years. The hopes that the move to Emu would be slowed by fear of division or that such division would cannot stop it. Fog in the channel - UK put the UK at the head of a

coalition of "outs" are just All sball win the auro prize. How can this happen when few member states are likely to pass the tests for membership of the singla currency cleanly next year? Precisely because of that, is

Even that paragon of virtue, Germany, will fail the strict test on indebtedness that gross government debt should be 60 per cent or less of gross domestic product, It may even run a general government fiscal deficit in excess of 3 per cent of GDP. As for France, it will pass the fiscal test only with the help of much creative

If member states were going to be strict, then virtually nobody would be in not Austria, not the Netherlands, not France, not even Germany and certainly not Belgium. Only little Luxembourg would definitely be in. But that is not going to happen, given the determination of Mr Helmut Kohl, the German chancellor, to achieve monetary union.

If all these countries are to be let in, then so, in all probability, are Finland, Ireland, Portugal, Spain and Meanwhile, sterling secu-rities bave been down-

were in. would Denmark It has become too difficult to distinguish hard-currency sheep from soft-currency goats. So the choice is between monetary union for all or for nobody. The former is whet the member stetes will choose. Above all, it is what Germany will choose. If so, the UK alone

cut off. But the financial markets hava been far less cut off than the politicians. Since the currency turbulence of spring 1995, the difference between yields on Italian 10-year bonds and UK 10-year gilts has shrunk from 5.29 percentage points to 0.89 on Friday, on Spanish bonds from 4.07 to s mere 0.25, on Swedish bonds from 3.23 to minus 0.29, on French bonds from minus 0.35 percentage points to

IMF forecast for 1997

Gross government debt as % of GDP

General government deficit as % of GDP

minus 1.61 and on German bonds from minus 1,11 to minus 1,62. French and German bonds are now equivalents, while the prospects of other high-yielders have been sharply upgraded.

graded. This has not happened only because the pound is expected to languisb outside Emu. It must also be because of the clasbes between the chancellor and the governor of the Bank of England over monetary policy, the Tory clamour for tax cuts, the slow pace of fiscal consolidation and the rapid monetary growth. All these belp persuade punters that the UK is back to its bad old ways. Who could say they are wrong?

pen. It will shortly include most member states. Yet it remains a gigantic gamble. Most important, as Professor Rudi Dornbusch of the Massachusetts Institute of Technology argues in Forelgn Affairs (September/October 1996): "If exchange rates are abandoned as an economic tool, something else must take their place. Maastricht promoters have carefully avoided spelling

Monetary union will hap-

and it must have legislated How member states match up to Maastricht for an independent central bank by July 1998. These steps need to be taken if the option is to be kept open. Otherwise the UK will heve decided against early entry. Of the two requirements, the more important (and more desirable) is establishment of an independent central bank -

> after the next election. Opponents of Emu arme it must be resisted because it is part of a drift towards a European superstate under technocratic control. The charge has force. But how can one make it credibly when the policy of both big parties, in the general election that precedes this great

requiring legislation shortly

out just what that might be. decision, is not to have one: Competitive labour markets is the answer, but that is a to be resolute only in being dirty word in social-welfare

This is not democracy. It is e betrayal of democracy. A choice needs to be made To wait and see is not 6 choice. It is a refusal to choose when the nature of the decision is quite clear. This is, in truth, pathetic.

Nothing likely to happen between today and 1998 or between today and the early years of the next millennium will change the calculation significantly. The fundamental choice is between going in and staying out. However much it dislikes the alternatives it confronts. the UK must decide. It mus not cower in the hope that the choice will go away.

Sir Winston Churchill has been much evoked in recent weeks. It is impossible to guess how be would have responded to the present choice. All we know is that he recognised the great issue of bis own time whether or not to confront

Hitler's Germany. The choice looming for the UK is between being inside Emu and being out side, probably on its own. It will become a choice batween heving e voice within the governing arrangements of Europe and not having one. In time it will be between being inside the EU and being outside it

If these are indeed the be in. One may dislike that elternative, but still feel obliged to take it. Why it is right and what would follow from it I intend to examine further next week.

This column is dedicated to the memory of Nicholas Colchester, former foreign editor of the FT and deputy editor of The Economist, who died suddenly last week at the age of 49. Delightful:componion brilliant writer and committed supporter of the Europenn Union. Nico would, I hope, have been surprised and delighted by this piece.

Personal View • Jacques de Larosière

In partnership with the private sector

The multilateral development banks still have an important global



have remeined steady. Of the \$247bn of net capital which flowed into developing countries last year, only 11 per cent came from multilateral development banks. There is every indication

that this is not a short-term phenomenon. The quality of private flows has improved: investors assess a project and a country's fundamentals; they do not provide funds indiscriminately.

These changes pose important questions for the role of multileterel development banks such as the World Bank and the regional development banks. In particular, do they still have a role to play when the flow of private finance is so strong?

The main task for the development banks is to expand these flows which are focused on a few countries in south-east Asia and Latin America, Many developing countries have so far failed to ettract private capl-

tal and need help to do so. This does not mean the development banks have to change their goals which include alleviating poverty. promoting economic growth, helping former communist countries make the transition to market economies and protecting the environment. But they must adapt, continuing their shift from public-sector projects towards private-sector development.

There are two ways they can do this. First, they can bein governments create the conditions for market-ori-work with the private

· LETTERS TO THE EDITOR

Number One Southwark Budge: Louthy SEF 91H.

We are keen to encourage letters from headers around the world. Letters may be hared to +44.171-873-5938 [please ser for to full). c.msil: letters editor@form Published letters are also available on the FT seek site, http://www.FT.com.

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Bank for Reconstruction and Development has done in central and eastern Europe and the former Soviet Union.

Many ask whather the development banks should not leave private financing to the private sector. I believe their presence can unlock financing which would otherwise be unavail-

strengths which allow them to take risks that so often stall the provision of longer term financing. These are: • Structure - their preferred creditor status; conservative gearing and strong support from shareholders in the industrialised and recipient countries belp them absorb many of the risks. · Reletionships - their long-term relationships with governments in developing countries enable them to reduce political risk and provide "comfort" for private

partners. • Experience - this allows them to eccept greater commercial risk in difficult environments than private lenders, particularly at the early stages of reform.

 Project development support - they can reduce the risks in projects by drawing on their experience and access to technical assistance. Without such support, many projects would never get off the ground.

There are various areas where the development banks and the private sector can work together. They can provide equity or loan finance to private companies. They can also collaborate with commercial banks to raise funds to implement projects. And they can help to promote the availability of venture capital.

There is enormous potential for infrastructure project finance from private sources if the conditions are right. The development banks are Per Jacobsson lecture, delivwell placed to encourage private-sector involvement: ton DC at the annual meeting ented growth. Second, they they can develop structures which will encourage such Fund

ment can instil confidence between governments and share the risk with the pri-

vate partner. To work effectively with the private sector, the development banks require clear operational principles on project selection. Adherence to sound banking principles ble. will ensure their projects are They hava specific financially viable, allowing them to establish important

> Ensuring the financial viability of projects has not development banks. In future, it must be.

It is important they do not substitute for or displace the private sector. They should be "additional" and stimulate the private sector into operating in areas where it would not act on its own.

As market forces become more established in developing countries and private sources of finance become more widely evailable, the role of the multileteral development banks will evolve. This constant change should be the key to their participation in the investment process. They must, in e sense, lead the way for private-investment flows and not prolong their involvement once sufficient private capital is available.

To achieve their goals, however, the banks must build on their strengths and be seen as credible institutions. With foreign aid budgets under increasing pressure, these scarce resources must be used where they can make the biggest difference. This requires the banks to show strong cost-conscious ness and demonstrate value for taxpayers' money.

The outhor is president of the European Bank for Reconstruction and Development. This is an extract from his ered on Sunday in Washingof the International Monetary

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OFFICE EQUIPMENT

From Dr Neville Wylie. Sir. Winterthur Insurance, in its edvertisement of September 27 (30f all the summer of 1943.

neutrals . . . "), has not called up a particularly reliable witness in defence of Switzerland's wartime record. Churchill penned his flattering remarks ebout Switzerland after listening to a savage attack on the Swiss by Joseph Stalin, in which Stalin referred to the Swiss as "swine". Churchill was not, however, a

knowledgeable observer of Swiss affairs. In the 41/2 years since becoming prime minister, Churchill was kept informed of neither events in Switzerland nor the details of Anglo-Swiss relations. Swiss issues were raised in the war cabinet a mere 18 times during the war (14 times in 1940), and Churchill

Name not

From Mr Chris Boston.

Sir, The Kleinwort European Privatisation

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Privatisation Trust.

expression for bust?

Edinburgh EH5 3BD,

Chris Boston,

9 Clark Road.

appropriate

investment Trust was called

called KBEPT - Kleinwort

What was wrong with

Privatisation Unit Trust?

Too much like the German

involved himself in British policy towards Switzerland on only three occasions. twice in 1940 and once in the

Churchill undoubtedly had

a high opinion of the Swiss, and his gut reaction to Stalin's outburst bears this out. But his impressions on Switzerland were selective, and his attitude towards those aspects of Switzerland's wartime collaboration which were known et the time. ambiguous. On May 12 1946. Churchill accepted an invitation from a group of Swiss businessmen to visit Switzerland later that . summer. His acceptance came two weeks before the Allied governments finally accepted Berne's desultory "gift" of SFr250m and gave up their efforts to recover

Archives give suspect support Nazi-looted assets which had found their way into Swiss hands. Churchill was eware that many of the companies whose hospitality he was accepting had been the subject of Allied pressure during the war, on account

of their collaboration with

the Third Reich, including

insurance companies. machine manufacturers and chemical firms. Churchill's ability to speak knowledgeably and honestly ebout Switzerland's wartime activities is suspect. If. Switzerland's financial world wishes to improve its image, it should look to its own archives and not to

Neville Wylle, New Hall, Huntingdon Road, Cambridge CB3 0DF, UK

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No jeopardy to Lloyd's

London a priority for transport spending

From Mr. Chris Baumann

Sir, We believe London Transport's budget to be under severe threat in this year's public expenditure round. On behalf of London's business community we wish to make it clear to the chancellor : that any cut would be a false

economy with grave

implications for the capital's

competitiveness. Expenditure cuts will cause misery for commuters by postponing urgent work to improve the Underground's efficiency and reliability. As London Pride has outlined in its action programme for transport, London will cease to attract international business if it is seen to have a deteriorating transport system. On the contrary, there is a strong case for increasing investment by £150m per annum to rectify the backlog. Falling this, London will not have the modern infrastructure sary to create the wealth to drive the economic

recovery.
Business is doing its utmost to continue to make London e world class city. It is looking to government to play its full part as well.

Chris Baumann deputy chief executive, Bally UK, Des Gunewardena, chief executive, Convan Holdings, Harry Handelsman, chairman Manhattan Loft Corporation, Stuart Linton. chief executive, Stanhope. Julian Metcalfe chairman, Pret a Manger. Richard Rogers. chahman, Richard Rogers Partnership, as from: London First. Caxton House, Tothill Street,

London SWIH 9NA, UK

Shots fired from Turkish-occupied areas totally incorrect. In fact, the

From Mr N.F. Parket

fight Lloyd's" (Septe

27), not all so-called

"refuseniks" have a

Sir, Further to Jim Kelly's article "Names seek \$7m to

grievance against the society

I, for one, wholeheartedly

support reconstruction and

basis of pure underwriting

seems perfectly equitable

but the agency I sacked in

losses, my finality statement

commissions well in excess of those agreed. Accordingly,

renewal even though I

settlement offer. On the

continue to reject the

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apparently exorbitant

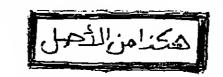
Sir. With reference to Mr Hakki Müftüzade's letter (September 26) . this correctly states that two Greek Cypriots died in violent clashes in August. The two Greek Cypriots killed were civilians. However, Mr Müftüzade's statement that a Tuckish Cypriot was also killed in cold blood on September 8 by the Greek Cypriots is

man killed was e Turkish Kurd serving in the Turkish army who was the cousin of a high ranking Kurdish ader (this was confirmed by relatives of the dead soldier living in the UK). Another soldier was wounded in the same

The shooting of these two soldiers has been investigated by the United

Nations authorities, British sovereign base personnel and also Greek Cypriot police. All found that the shots were in fact fired from the Turkish occupied areas of Cyprus and not from the Greek Cypriot side.

Angela Ios 4 Mirmidonon Street, PO Box 8541. Y-3785 Limassol



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FINANCIAL TIMES

Tuesday October 1 1996

Netanyahu's obligations

Mr. Hosni Mubarak, the vided that Mr Bill Chinton the mrage in giving Mr Benjamin Netanyahu the benefit of the when ha came to power in Israel four months ago, Mr. Mubarak is therefore understandably upset that his offer to host an Israeli-Palestinian summit has been hijacked by tha US, And Mr Yassir Arafat himself can be forgiven for having mixed feelings about making yet another trip to Washington in present circumstances.

There is profound distillusion-

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ment throughout the Arab world about the one-sidedness of the US approach. Arahs believe, reasonably enough, that the Palestinians, having made far reaching concessions in the tied to expect Israel to honour its side of the bargain. They are therefore angered hy the US's refusal to condemn Mr Netanyahu for dragging his feet on almost every point in the Oslo programme, and now needlessly provoking an explosion of Palestinian rage by his insensitive actions in Jerusalem.

What matters, bowever, is less the public statements of the US administration, or even its vote in the UN Security Council, than the attitude it takes in dealing with Israel directly. From that point of view a summit in Washington may actually be more useful to the cause of peace than one in Cairo, pro-

Edeptian president, showed US president, takes advantage of Mr. Netanyahu's presence to insist that Israel fulfil the obligations contracted by its previous government

The actions he should demand, as the minimum needed to restore Arab confidence in Israeli commitments, are: withdrawal of Israeli troops from Hebron, an and to the hlockade which is strangling the Palestinian economy, and release of the remaining prisoners as promised in the original Oslo accord.

Conventional wisdom holds that nothing like that can be expected within a month of a US presidential election. But Mr Clinton is surely far enough ahead in the polls to be able to rise above such considerations.

Only a minority even among Jewish voters is likely to he swayed decisively hy foreign policy issues. Even within that minority a significant body of opinion is exasperated by Mr Netanyahu's performance and might well support a firm line against him if the issue were clearly defined.

Mr Clinton might perhaps recall that the firmest the US has ever been with Israel was during the 1956 Suez crisis, when President Eisenhower insisted on total withdrawal from Sinai and the Gaza Strip. He was triumphantly re-elected

Euro-reform

A thorough nverhaul of the Commission's unwieldy bureaucracy is an aim to which EU critics and enthusiasts alike should be able to subscribe. Yet it has been a low priority for the hody's presidents. Most have flinched from the challenge or, like Mr Jscques Delors, have simply shortcircuited established channels. It is to the credit of Mr Jacques Santer, the current incumbent. that he appears determined

tackle the problem in earnest. As Mr Santer has recognised, the key lies in reforming personnel policy, which is both excessively rigid and unhealthily prone to gerrymandering. EU governments have long insisted on fixed appointment ouotas, while treating many posts as national preserves. Commissionera, meanwhile, have habitually used personal influence to procure plum jobs for favoured advisers, sometimes irrespective of ability.

Such widespread patronage demotivates able Eurocrats by limiting opportunities for promotion on merit, while rewarding mediocrity. That not only compromises the quality of decisions. It risks turning into a nationalistic battleground an institution which is supposed to work for EU interests as a whole.

Reform should not aim to isolate the Commission from politirecruitment to lifetime careen Eurocrats. Rather, it should ensure that jobs are genuinely candidates to more rigorous, open and impartial selection. Ideally, the Commission should set up a board to vet all senior appointments. It should include independent outsiders and he

missioners. Too often, governments have used Brussels as a dumping ground for political has-beens or party backs. There are also too many commission empire-building. There should be fewer commissioners, chosen differently. France bas suggested that EU government heads should name Commission presidents and allow them to pick colleagues from lists put forward by national capitals. The proposal deserves serious consideration by the EU intergovernmental conference.

All proposals for change will face resistance from political vestad interests. Opponents need to realise that the existing system is a zero-sum game. Perpetuating it will prevent the Commission from discharging its responsibilities effectively, while handing ammunition to

cal realities. Nor should it limit

filled on merit, by subjecting required, when called upon, to defend its decisions in public. Effective reform also needs to

ers for the real jobs svailable a recipe for turf battles and

critics who accuse Brussels of hureaucratic abuses.

Chancellor who?

smoking cigars and Mr Kennath Clarke could pretend not to have a sense of humour, it would be difficult to tell the UK Chancellor from the one who is trying to get his joh.

In the last few days they have heen singing in strange harmony - at least in the base line - to the confusion of their followers.

In managing the economy we are told there can be: "No quick fixes, no easy options, no magic wand solutions by cooking the books. ." To reach this position "We've had to make tough choices and will continue to have to do so. . ". Britain needs "Costed, hard-headed and radical policies for stability, employment..." and "The public are too intelligent to be taken in by tax cuts that aren't justifiable".

The last quotation is from Mr Clarke, tha real Chancellor. speaking from Washington yesterday. The first three are from Mr Brown at Labour's conference in Blackpool hours later. It is to the credit of both men

that they appear to be resisting the shrill cries of party activists who believe that a Chancellor's job is to run up debts and give the money to sympathetic voters. Both know that Britain's general government financial deficit - expected to be about £30hn a year - is far too high to allow any give-aways, either to

the needy poor or to the suffering middle classes. Mr Clarke explains the unpal- froth by comparison.

If Mr Gordon Brown would start atabla arithmetic with a hreezy chnckle, dismissing pleas for tax cuts to be made as an advance on distant spending reductions with the contempt which they deserve.

Mr Brown has a harder job. Since Labour must be seen to help lower income groups, be proposes a bottom tax rate of 10 or 15 per cent. This is a gimmick. The best way to help the poor is to take as many as possihle out of the tax net altogether. So any money available to lower the starting rate would be better spent in raising the threshnld at which tax starts to be paid, while adjusting state benefits to maximise the incentives to take paid work.

Mr Brown's hig problem is that to do anything worthwhile he needs cash. It would be dishonest to pretend that he can help the poor without raising money from another part of the tax system, most probably from the rich. Maybe when he has done his sums, he will sketch the outlines. The details announced so far are not encouraging. The proposed windfall tax on utilities savours more of spite and desperation than a considered attempt to control these important monop-

However, Mr Brown also said he wants a radical reform of the relationship hetween the tax and benefits systems. This would be a worthwhile and a formidable task. His 10p rate is

COMMENT & ANALYSIS

Big can still be beautiful

Although the Hanson era is at an end, a new breed of conglomerates has prospered by adding value, says Tony Jackson

oday brings the for-mal dissolution of Hanson, one of the most prominent conglomerates of recent times. The spin-off of the various parts of its empire, such as Imperial Tobacco, will doubtless fuel a familiar debate.

In today's competitive climate, we are told, companies need to be focused. Conglomerates have had their day.

But there is a growing consensus among acadamics, analysts and managers that this argument is hecoming sterile. Focus and diversity can both work, provided the circumstances are right. If the break-up of Hanson proves a point, it is about companies of Hanson's peculiar type, not diverstiled corporations as a class.

The case for diversity can be made in two ways. First, experience shows that old-established corporations such as General Electric or 3M of the US can invest across a bage range of businesses and add value for their owners.

Second, there are several hig conglomerates today which make a great deal of money from acquisitions, as Hanson did in its beyday. But instead of being conventional corporations, they are privately-run investment specialists such as Kohlherg Kravis Roberts (KKR).

There is no doubt that Hanson, in its latter years, lost its way. It was not alone. According to a recent study from NatWest Securities, the stockbrokers, almost all the UK conglomerates, including BTR, have been systematically destroying value since around 1990.

The study analyses the companies by the increasingly popular US-derived measure of Economic Value Added (EVA). In essence, this looks at the spread between the return on capital invested in the business - including equity and its cost.

According to NatWest Securities, the sector has produced an average 8 per cent net return on capital in the past six years, compared with an 11 per cent cost of cepital. Thus, it has been frittering away its capital hase at around 3 per ceot a year.

Hanson, because of the break-up, is not included in the calculation. But according to the study's authors, its record is much the same.

exposes the illusory nature of acquisition accounting. For many years, acquisitive conglomerates used provisions and other tricks of the accounting trade to boost earnings

"If shareholders are to learn anything from Hanson," the Nat-West study remarks, "it is that creation of value and earnings enhancement are not the same

Thus, while the UK conglomerates reported rising earnings, value was being destroyed.

There were two main reasons for this. First, the companies typically paid too much for acquisitions in the late 1980s. Second, they relied too beavily on equity to pay for them. One of the most decisive fac-

tors in the rise of companies such as Hanson and BTR was the wealth of cheap acquisition opportunities in the mid-1980s. mson, for instance, was able to buy large chunks of the US conglomerate SCM and the tobacconothing in 1985-86, since the

Hanson: the spending spree takes its toll

Share price relative to the FTSE All-Share Index



purchase price was recouped within months by selling off other parts of the business.

In the usual market fashion, this opportunity cancelled itself out. Other providers of capital spotted the gap, and acquisition prices rose. But the conglomerates carried on buying. BTR bought the eogineering group Hawker Siddeley, Hanson bought Consolidated Goldfields and Beazer, the housebuilder. They destroyed value accordingly.

To be fair, they were not unique. Another company which made its fortune through windfall acquisition in the mid-1980s of Distillers, the Scotch whisky group. It then went on to more expensive purchases later in the decade, such as the Spanish brewer Cruzcampo; and as its chairman finally confessed last week, it damaged shareholder value in the process.

But the conglomerates were unusual in relying so beavily oo equity as an apparently cheap and risk-free means of payment. Mr Andrew Arends, an acquisition manager with Hanson in the 1980s, says this was particularly true of the late Lord (Gordon) White, Hansoo's co-founder.

"It was a psychological thing Gordon got stuck ioto," Mr Arends says. "He was influenced by the US conglomerates in the 1960s. He always had in mind the

concept of cheap paper." The contrast with today's successful acquisition specialists could not be more acute. Mr Arends points to the example of Mr Warren Buffett, the US portfolio investor whose company, based Imperial Group for littla or Berkshire Hathaway, is a cooglomerste in all hut name.

Throughout his career, Mr Buffett has regarded Berkshire Hathaway's equity as a precious commodity, oot to be given away under any circumstances.

Or take the leveraged buyout specialists such as KKR or Claytoo, Dubiller & Rice. Their approach is to make acquisitious for deht, thus uslog deht payments as a stick to force managers into maximising cash flow. At the same time, equity is reserved for the fund's investors, and as a

carrot to reward managers. Eveu for the Americans. though, the self-correcting process of the market makes opportunities continuously harder to find. In the old days, favourite acquisition targets were in hasle. low-technology industries, with correspondingly low risk and predictable cash flows.

ow, as Mr Arends observes, several successful US conglomerates have turned to the more complex and demanding world of financial services. General Electric makes a quarter of its profits from GE Capital its buge figancial services subsidlary. Berkshire Hathaway, which started life as a textile company, writes more reinsurance business than Lloyd's of Loodon.

Again, the contrast with the UK conglomerates is acute, BTR briefly owned an insurance company, Cornhill, through its 1983 acquisition of the conglomerate Thomas Tilling, but promptly sold it. Lord White, says Mr Areads, rejected the wbole field of financial services as too complex for Hanson to manage. The pressure for complexity

may have further to go, Professor Don Sull of the London Business School - a former employee of Claytoo, Dubilier - points out the US buyout firms are being increasingly forced into investing in the high-tech fields of hiotechnology and computing.

The polot about the old-style conglomerates, Professor Sull says, is that in their beyday there was a shortage of bldders for corporate assets. "There were information asymmetries, and there was differential access to capital. Now there is more information and more access to capital. The one rationale for conglomerates we've ever seen looks as if it's on the mane, not just for Hanson but

across the board." This is the heart of the argumeot agaiost conglomerates such as Hanson and BTR: if they cannot find a continuous supply of cheap companies to buy, they cannot hope to add value to their existing subsidiaries either.

The case is usefully summarised in a receat book. Managing the Multibusiness Company tedited by Michael Goold and Kathleen Soutmers Luchs, published by Routledge). First, It is argued, parent managers speed far less time on a subsidiary's affairs than its own managers do, so their decisions are less valuable.

Second, subsidiary managers are liable to concentrate not on maximising the value of their owa business, but on rising through the hierarchy, which need not be the same thing.

Third, the parent provides central services which the subsidiary may be able to obtain cheaper and better from outside specialists. Add those up, and you have a machine for destroy ing value.

Once agalo, though, this applies only to companies of the Hansoo type. A diversified corporatioo such as General Electric can add value by swapping Ideas, technologies and management expertise around the group. Investment funds such as KKR can add value by supplying the initial capital, picking the right managers and then leaving them to get on with it.

There is one figal flaw in com panies like Hansoo, and it can prove fatal. If cheap acquisitions can indeed be found, the way to secure value for share by re-packaging the bits and selling them oo again. But it is in the vature of managers to prefer buying things to selliog them: that is, to build empires.

in a remarkably prescient article from 1987 (reprinted by Goold and Luchs). Professor Michael Porter of Harvard University reflected on the dismal teadency of old-style US conglomerates to destroy value over the previous 35 years. He pointed to Hanson, then at its peak with the triumphaot acquisition of Imperial Group, as one of a successful new breed of restruc-

However, be added a warning. "It's too early to tell," he wrote, "whether Hanson will adhere to the last tenet of restructuring selling turned-around units once the results are clear. If it succumbs to the allure of bigness, Hanson may take the course of the failed US conglomerates."

Hansoo, of course, did oot follow that advice. Eveotually, it became too big to survive; and today's break-up is the result.

Crooner slips disc

■ Old crooner Tony Bennett may have sealed a few romance in his time, but it's going to take more than the odd ditty about cable cars climbing half-way to the stars to soothe relationships between Scots whisky liqueur maker Drambuie and Allied Domecq, its US distributor.

The two companies are already at each other's throats in an Edinburgh court, where Drambule is suing Hiram. Walker, Allied's US arm, for allegedly undermining the liqueur's market share with some woefully inadequate marketing. Drambuie thought insult was

being added to injury when Allied suggested the very American singer should make a world concert tour to promote a very Scottish liqueur. Allied claims Drambuie is simply out of touch in not recognising the global appeal of a singer enjoying a revival, especially among the young. But it's dropped the plan in favour of a wholly unoriginal programme of golf sponsorship.

Back in court, the liqueur maker has demanded so many documents from Allied, they have been recorded on disc - a first for Scottish courts. If they prove more interesting than the

recordings of Tony Bennett, Drambule might yet prove its

Bhutto likes a din

It's quite bizarre watching the stately canonisation of Baroness Thatcher, whose life and times provide consolation for all kinds of politicians going through rough times at home. Latest to join the band of

admirers is no less a figure than Benazir Bhutto, who stopped off in London yesterday to deliver a lecture to the Institute of International Strategic Studies. She drew on the former UK prime minister's words to explain why Pakistan's turbulent and violent politics were not all bad. She agreed with Thatcher, she said, that democracy did not involve consensus but rather a clash of

Free debate was the strength of democracy, she added perhaps an understatement where Pakistan is coocerned. Bhutto is at loggerheads with President Faroog Leghari over the appointment of judges. And 10 days ago she experienced family tragedy, when her hrother and political rival Murtazo was assassinated in

Karachi Chanting demonstrators even pursued her to London; their taunts could be heard

throughout her talk. But Bhutto was in fighting form, and gave them sbort shrift: "Sileace is testimony to dictatorship... Noise is the din

of democracy.

Chew on it

Forget the threat of strikes over sick pay cuts or the looming crisis over pensions. The most alarming confirmation that Germany's finances really are under pressure emerges from the Bonn foreign ministry there is no more money for

coffee and cakes. This year's budget has been used up. So large has been the stream of visitors from Germany and abroad that diplomats will now have to dig into their own pockets to entertain anyone expecting kaffee und kuchen.

The crisis is severe enough to have been leaked to Der Spiegel magazine. It says demoralised officials are nobly seeking solace in the thought that the huge rise in the number of caffeine and cake addicts popping in for a chat admirably demonstrates Germany's increasing world influence. Or it could just be they bave tasty cakes.

In-flight mummy

■ An Egyptiao mummy-shaped pencil tin - no home's complete without one. Roll up to Heathrow's Terminal 4 from oext Mooday and you'll be able to get yours, courtesy of the British Museum, which is opening its first shop outside its

It's a canny move, given that 6.25m passeogers annually pass through the London terminal. Oo sale will be replicas of many priceless chiects, some of them tastefully customised into tea-towels, drinks coasters, ear-rings and other knick-knacks.

Some items are a little out of the place-mat price league - a gold replica of an ancient Egyptian oysier shell pendant

will set you hack £620. But one marketing ploy has unaccountably been overlooked; Greeks hooing to return home bearing replicas of the Elgin Marbles will be disappointed.

Nesting dorma

■ The production was Puccini's Il trittico but the Flemish Opera could have crossed composers' lines of demarcation on Sunday to call on the bird-catching services of Papageno from Die Zouberflote, One lost bird - a real one - flew around and over the stalls and then several circuits of the ornate interior of the Antwerp opera bouse, in the end, perhaps even it found the performance hard to swallow.

Financial Lime

100 years ago Cycle Invention Buenos Ayres: The latest tri-

umph of inventive skill is a 'steeplechasing" hicycle which works on the same principle as a watch, the action of turning the pedals winding up a strong spring until sufficient power is accumulated. A short sprint of twenty yards is necessary; the touching of a knoh releases two steel bars shaped like the runners of a sleigh, and projecting on either side of the front wheel. These fall with immense force, striking the earth just below the pedals. The machine rises at ooce to a beight of nearly five feet, and, clearing the fence, falls upon the steel runners nearly twenty-five feet from its rise. We should like to see this interesting machine before pinning much faith in its existence; and, in any event, we should regret to see it introduced in City streets.

50 years ago

Chess Defeat for S.E.

The first chess match to be played hetween the Loodon Stock Exchange and the Amsterdam Bourse since the war resulted in a victory for the Dutch team by 14' : to 5': points. The Eoglish team which went to Holland by air was short of practice, while the Dutch team was stronger than any met in pre-war

18

Row over workers' benefit cuts escalates N Ireland

German union warns of lengthy strike action

By Wolfgang Münchau in Frankfurt

Germany's industrial dispute worsened yesterday as engineering employers told unions that they want to renegotiate most fringe benefits in employment contracts.

IG Metall, the engineering union, retaliated by threatening strike action on a scale similar to the 114-day stoppage in 1956-57.

The employers' decision underlines their determination to challenge several sacred cows in German industrial relations, including entitlements to generous sick pay and holiday bonuses.

It comes after several companies decided to implement cuts in sick pay as from today, as a change in German law takes place cutting statutory minimum sick pay entitlements from 100 per cent of wages to 80 per cent.

The employers' tough stance has triggered an intense public bonuses which employees debate about the whole future receive on holiday on top of

in the face of difficulties companies are having in remaining internationally competi-

The employers' move paves the way for a highly complex wage round in the engineering and electrical sectors, due to start in December. This year's talks will involve wages, entitlements and working conditions, as well as employers' demands for opt-out clauses. and employee demands for job

The decision to renegotiate the contracts was taken by several regional affiliates of samtmetall, the engineering employers' federation, in a bid to press home its demands for a de-facto zero wage round.

Falling international competitiveness and high unemployment needed a "cut in the extremely high supplementary wage costs," the federation said yesterday. These include

of Germany's welfare etste and normal wages. An official in its industrial relations system, another federation said: "We are looking for a zero increase in wage costs. This means benefits must go down to the same

extent wages are going up." With inflation at less than 2 per cent, the employers' stance leaves little leeway for negotia-

Mr Klaus Zwickel, president of IG Metall, said the employers had "stepped on a land-mine" with the sick pay issue. He has called for a nationwide protest on October 24, the 40th anniversary of the start of the 1956-57 strike.

Daimler-Benz, the German automotive and defence group, was the first company to announce cuts in sick pay last week. Workers at several Mer-cedes-Benz factories stopped work during Saturday, and yesterday a further 2,000 Mercedes workers in several parts of the country held strikes. Adam Opel, the German subsidiary of General Motors, has also decided to adopt the sick

Crisis at Olivetti deepens

By Andrew Hill in Milan

the Italian information technology group, last night underlined the seriousness of its financial position when it revealed that debt had nearly doubled between the beginning of July and the end of August.

Olivetti said net debt had reached L2,394bn (\$1.6bn) by August 31, compared with L1,261bn at the eod of June and L765bn at the end of last year. The figures confirmed analysts' suspicions that the group's financial situation had worsened notably over the past three months.

However, the company said it foresaw an improvement in the debt position by the end of ket watchdog. the year. Olivetti's shares rose L30.1 to L558 ahead of last group's future since the resig- 200 subsidiaries. nation of Mr Renzo Frances-

finance and anditing at the group's holding company. Mr Renzo Francesconi's departure on September 4

came the day after Mr Carlo De Benedetti stepped down as

the group's chairman. Mr Francesconi alleged that the financial position was much worse than the figures published on the day of Mr De Benedetti's resignation. Olivetti, which is suing Mr Francesconi for his comments, yes-terday confirmed the terday confirmed the previously announced pre-tax loss of L440.2bo for the first half of 1996 in a detailed half-

The figures for debt at while Olivetti collected the

analysts in Milan on Thursday, and in London on Friday. He was appointed two weeks ago - the third chief executive in as many months - as the De Benedetti family, which owns 15 per cent of Olivetti through its Cir holding company,

year report partly aimed at answering questions posed by Consob, the Italian stock marsan. He is waiting to see whether Olivetti directors will

co-opt him on to the board. Mr Trevisan, who has voted August 31 had been withheld on behalf of foreign shareholdnight's publication of detailed in the original answers given ers at Italian shareholder half-year figures. The share to Consob two weeks ago, assemblies, has no previous by uncertaioty about the information from more than director, but said he had the advantage of being "indepen-

Mr Roberto Colaninno, Oli- dent".

as debt nearly doubles coni, director-general of vetti chief executive, is to meet

> reaffirmed control. Mr Dario Trevisan, the lawyer whom foreign institutions want to nominate as an Olivettl director, said yesterday there was no point in seeking conflict with the new management, "At the moment investors want to contribute their point of view and understand the strategy," said Mr Trevi-

appear close to collapse By John Murray Brown The peace talks on the future

of Northern Ireland appeared on the brink of collapse last night amid fresh fears that Protestant paramilitaries might break their ceasefire.

Loyalist prisoners in Ulster's top security Maze prison announced yesterday that they were withdrawing support for the talks, complaining about a lack of progress. They said their ceasefire was under strain because of the IRA's resumption of bomb attacks on

the British mainland.

Meanwhile, the Ulster
Unionist party hardened its own terms for continued participation in the talks. It warned that, even with an IRA ceasefire, it would not enter substantive talks with the IRA's political wing Sinn Féin, until some IRA arms had been taken out of commission.

Mr John White, a leader of the Ulster Democratic party, which is linked to the ontlawed Ulster Defence Association, met the Maze prisoners yesterday and described the prisoners' statement as "the most critical point we have

come to". The Reverend Roy Magee, a Presbyterian minister who was instrumental in securing the first loyalist ceasefire, warned over the weekend that the government would have to address the prisoners' issue with urgency.

The surprise announcement

by the prisoners followed a day of little progress in the talks, where discussions were overshadowed by the UUP's decommissioning demands.

Nationalists accused the UUP of trying to re-write the legislation outlining the conduct of the talks, and ignoring the principles set out by the former US senator Mr George Mitchell, which both governments have accepted as the basis for addressing the arms

Last week, in an attempt to answer UUP coocerns, the UK government sent Mr David Trimble, the UUP leader, a draft of proposed legislation to deal with the technical and legal aspects of decommissioning. This is scheduled to be presented to British MPs later this year. However, after reading the draft, Mr Trimble said vesterday that a resumption of the IRA's 1994 ceasefire would not be enough.

The resurfacing of disagreements over decommissioning contrasts with recent official comments suggesting the talks were making progress. Mr John Major, the UK prime minister, and Mr John Bruton, his Irish counterpart, have expressed optimism in recent

peace talks

In the debate over the future of Thomson, the French state-owned electronics group, many have assumed that its consumer electronics arm is a basket case. Certainly, Thomson Multimedia's finances are not pretty: not only is it weighed down by FFr14bn (\$2.76bn) in debt but it made operating losses of FFribn in the first half of the year. That said, Alcatel's plans for restructuring TMM - if it wins the contest to acquire Thomson - suggests that prospects are not all that bleak. US manufacturing costs could be cut quickly by shifting production to Mexico. There would be further savings from rationalising TMM's six European brand names. While market share would undoubtedly suffer in the short term, marketing and support costs could be

cut significantly.

Moreover, TMM may not be just a cost-cutting story. One hidden jewel comes from the fact that patent rights ceded to General Electric of the US several years ago will revert to TMM from the start of 1999. These are expected to generate FFr1.2bn in revenue this year alone. Another potential jewel is Thomson's strong position in digital tech-nology. Not only is it the market leader in the "set-top" boxes needed to receive pay-television but it also owns some of the patents for making digital video discs. These are relatively small markets today, but may take off in coming years.

Some of TMM's debts will still have to be written off. But once that is done it may not look quite

ADT/Republic

day's decision by ADT and Republic Industries to abandon the proposed \$5bn merger announced in July is that it has taken the two companies so long to face the facts. This was a transaction based on financial engineering rather than industrial logic. Once Republic's soaring share price itself based on little more than the reputation of Mr Wayne Huizenga, its entrepreneurial chairman - came under pressure, an allshare merger was always going to be difficult to pull off. The recent public opposition to the deal by Western Resources, ADT's largest shareholder with 23 per cent, was

THE LEX COLUMN

Totting up Thomson

the ugly duckling it does today.

The real surprise behind yesterthe conp de grace.

Doubtless both Mr Huizenga and Mr Michael Ashcroft, ADT's chairman, will dust themselves off and bounce back. It may take Republic makes systems, including seat belts



longer to reach critical mass in car auctions and electronic security without ADT, but it still has highlyrated paper with which to continue to make acquisitions. Mr Ashcroft looks strategically bereft after agreeing to sell out, but ADT has good market positions in the US and UK. And while its shares have fallen a fifth from the peak after the deal was announced, they are still handsomely above their levels of a

Autoliv/Morton

An airbag has to inflate in a fraction of a second to be effective. Antomotive component companies that want to survive the pile-up that is today's consolidating car industry do not have much longer. Yesterday's \$4bn merger of Sweden's Autoliv with the airbag division of Morton International of the US comes just weeks after the comhination of Lucas and Varity into a world-class brakes manufacturer. And like LucasVarity - and Pharm-acia & Upjohn in health care - it transforms two regional companies into a global group while avoiding unfashionable diversification.

The fit between the two is near perfect. Autoliv is market leader in Europe but never managed to break into the US, while Morton is number two in the US and strong in Japan. Despite chunky market shares of 45 per cent in Europe and 35 per cent in the US, the lack of overlap in individual markets should ensure there are no antitrust problems. There is a similarly good fit in products. Morton is the world leader in airbag components such as chemical inflators; Autoliv

and steering wheels, which contain the driver's airbag. There is also a defensive element

to this deal: as airbags become standard, prices are falling almost ar fast as volumes rise. The enlarged company should be able to cut R&D and marketing costs in response Autoliv investors, who have seen their shares triple since 1994's flotation, must be feeling pretty inflated

There may be good reasons why British Gas has decided against selling its Scottish supply business to Scottish Hydro, but investors have yet to hear them. Certainly the company will have to do better than bleat about being under pressure on other fronts; if inability to cope were the real explanation, management credibility would look indeed.

On the face of it, the plan looked just the kind of imaginative wheere BG needs. It would have greatly helped BG's planned break-up, hardening the value investors could place on the demerged supply business. And Hydro was offering a fat price: more than £250m (\$390m), or over £100 a customer. This is twice the figure used by the gas regulator three months ago; pro rata, it would imply a befty £2bn valuation for BG's supply husiness as a whole. Of course, Hydro wanted to pay BG a market price for gas, not the artificially high price in BG's "take or pay" contracts. But most analysts think BG's gas assets are enough to cover the cost of bringing these con tracts down to market prices; if they are right, the Hydro price implied a value for the supply business of more than £2bn.

Arguably, it still does. Scottish

Hydro may have been spurned, but its interest remains evident. And even a collapsed plan should concentrate minds on the value to others of BG's formidable customer hase. Some even think BG could have been well benefit from holding on to the Scottish business; conceivably, for instance, it could provide a useful pawn in the "take or pay" negotiations or allow BC ultimately to sell its UK supply business as a single unit. Sadly, there is no sign whatever that such sophisticated logic is at the top of BG management's minds. So shareholders have every right to ask: what is?

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Challenge to US washday habits

Continued from Page 1

the front-loader's greater efficlency. Frigidaire says its new machine uses 40 per cent less water than the typical toploader, enough to fill four residential swimming pools a year for the average user.

> **Europe today** Most areas will be cool with showers and a few bright spells. The Alps, Germany and the Baltic states will have plenty of rain and the

And with less water to heat,

risk of Isolated thunderstorms. Spain southern France and northern Italy will also have rain. Western Europe will have several showers. The Mediteranean and the Balkans will have sunny periods and temperatures as high as 25C. The Aegean

will have some thunderstorms

Five-day forecast Most of Europe will have plenty of rain. Spain and Portugal will be drier. Cool air will gradually head towards eastern Europe.

energy costs. Mr Bob Russell, loaders. But experience has mentally-friendly. shown that anyone who has

never consider going back.

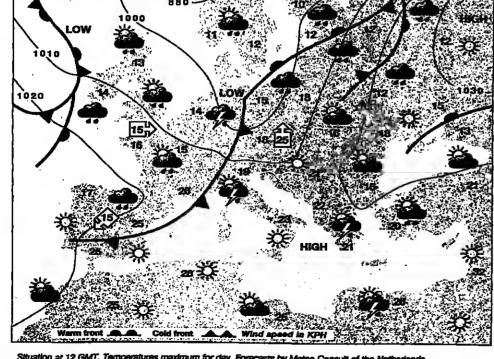
machine," he says. "It gets Frigidaire's vice president of fabrics cleaner, your clothes are very attached to their top- more economical and environ-

tried a front-loader would in the US will tell you there is "We don't expect it to take tal axis machine will out-wash

marketing, says US consumers last longer, and it's much "Detergent manufacturers

no question that the horizon-And with less water to heat, over the market overnight, a vertical. You just have to the user saves \$90 a year in but we do know it is a better sell people on the idea."

FT WEATHER GUIDE



TODAY'S TEMPERATURES



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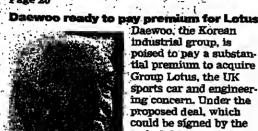
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IN BRIEF

Elektrowatt plans big restructuring

Elektrowatt, the Swiss conglomerate that recently took over Landis & Gyr, the electronic control system group, announced a big restructuring and forecast a 57 per cent drop in full-year net income to SFr90m (\$71.8m) in spite of an expected SFr2bn rise in revenues to SFr7.1bn.



Daewoo the Korean industrial group, is poised to pay a substantial premium to acquire Group Lotus, the UK sports car and engineering concern. Under the proposed deal, which could be signed by the end of the week. Daewoo is expected to pay about \$75m to Mr Romano Artioli (left), the Italian

entrepreneur who is the current owner of Lotus. This is well above the amount which other potential investors have been prepared to offer.

Kvaerner rejects VAI settlement move Kvasmer, the Norwegian shipbuilding and engineering group, has rejected attempts by VAI, its Austrian rival, to settle a multi-million dollar lawsuit over industrial esplonage at Davy International, one of Kvaerner's UK subsidiaries.

Acer chief urges PC groups to focus Sharp changes in the economics of the personal computer market favoured segment leaders rather than PC companies which tried to compete across the board, Mr Stan Shih, chief executive of Acer. Taiwan's leading PC maker, told a computer conference in Berlin. Page 22

Amoco forecasta chemicals sales jump Amoco, the US oil and petrochemicals company. predicted that its chemicals division would record \$10bn in sales worldwide by 2000, up from \$5.6bn in 1995, with most of the growth expected to come from Asia. Page 23

Hong Kong Index hits 21/2-year high In Hong Kong, the Hang Seng index climbed to its highest level since February 4 1994, lifted by an improved outlook for interest rates and upward revisions in corporate earnings forecasts. The index gained 143.04 to 11,902.43.

FT-SE Indices

With effect from today, the names of various market indices reported in the Financial Times have changed to reflect the fact that they are now calculated by FT-SE International, a joint venture company formed by the Financial Times and the London Stock Exchange.

1 18 Maytag

25 Olivetti

20 Parmalat

Roche

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20 Volkswage

20 William Hill

US interest rates

World Stock Markets

25 VAI 5 ValuJet

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Krupp

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https://www.Ff.com **Market Statistics** Foreign exchange Annual reports service Benchmark Govt bonds Gilts prices London share service Bond futures and options Bond prices and yields . Managed funds service Commodities prices Money markets Dividends amounced, UK New intl bond issues Bourses Euroband prices Flood Interest indices FT/SSP-A World Indices Recent issues, UK Short-term int rates

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Eurotunnel misses refinancing deadline

By Geoff Dyer in London and Andrew Jack in Paris

Anxieties about Eurotunnel's future deepened yestarday after the Channel tunnel operator missed the deadline for reaching a refinancing agree-ment with its banks and requested the suspension of its

The fate of the Anglo-French group could be decided within days by the president of the

French commercial court, who now has the power to begin administration proceedings. Eurotunnel asked for trading

in its shares to be suspended yesterday, fearing that leaks about the court's plans would create a false market. Shareholder groups wel-

comed the decision to freeze the shares, arguing that in the past they had discovered information only after a leak and the share price had risen

or fallen in response Adacte, the Paris-based association for the defence of Eurotunnel shareholders, said it mediators' contracts, now has had called for many months for the listing to be suspended

while negotiations continued. The two mediators appointed in February by the French court to assist the negotiations presented their conclusions on the refinancing talks yesterday, when their mandates

Mr Jean-Pierre Mattei, the head of the court who has decided not to re-extend the the choice of either trying to impose a compromise on the two sides or putting the company into administration.

Negotiators said the court was likely to present a refinancing plan to both sides, possiwithin days, with the implicit threat that if these terms were rejected, adminis-

tration would be inevitable. Although the company, the banks and shareholders have stressed that administration was not in anyone's interests. the expiry of the mediators' contracts raised fears among bankers that the negotiations

could spin out of control. According to one banker: The court bas the power to put the company into liquidation. Once you start along the path of court procedures, the

risks increase significantly. The process was not expec ted to last longer than a few weeks, negotiators said, and Eurotunnel sbares would resume trading if and when the company reached agree ment with the banks.

Administration would trigger an unprecedented jurisdic-tional battle between the UK and France over assets and the control of Eurotunnel, lawyers

Betting

industry

in UK hit

by 7 wins

An estimated one third of the

UK's betting sbop industry's

£100m (\$155m) annual profits

were wiped ont by jockey

Frankie Dettori's unprecedented seven-borse triumph at

Ascot race conrse on Satur-

Stanley Leisure, the fourth

biggest bookmaker or betting

sbop chain, was forced to

issue a profits warning as Its

losses reached £2.25m after

William Hill and Ladbroke,

tbe two biggest bookmakers,

are understood to have losses

of ahout £8m each, while

Coral, the third biggest book-

maker, lost an estimated

Bookmakers would nor-

mally regard losing £2m oo a

Mr Tom Kelly, director gen-

eral of the Betting Office

Licensees' Association which

represents 5.000 of the 8,800

UK betting sbops, sald the

total losses would have been

higher if bookmakers did not bave limits on payouts. This is

generally £500,000 per bet

among the bigger book-

makers, dropping to about

Mr Kelly said it was difficult

blg race as a bad result.

By Christopher Price

Moody's warns on Japanese chemicals

By William Dawkins in Tokyo

The Japanese chemicals industry's overall credit quality will weaken over the next three to seven years, because of falling domestic prices, nvercapacity and stiff Asian competition, Moody's, the credit rating agency, warned yesterday.

In the year to March, Japanese chemicals companies managed for the first time in years to produce profits withont baving to inflate earnings with sales of shares and land, says a Moody's report.*

The recovery was mainly thanks to a rise in exports to Asian countries, which only masked the "grim" outlook for Japanese domestic demand for commodity chemicals. A growing number of the

companies' industrial customers are increasing production in east Asia, in search of cheaper costs and supplies, with the result that the Japanese domestic market is in long-term decline.

Larger and more efficient US and European chemical producing competitors are quickly moving into Asia to service those newly arrived customers, replacing their former Japanese suppliers, Moody's points nut.

Old allegiances are not ennugh to hind Japanese chemical companies and customers, as the latter move offshore in search of new markets. And yet Japanese cbemical companies, with a few exceptions, have failed to invest in strategic markets outside Japan.

Like their international competitors, Japan's chemicals producers have tried to restructure, mainly through

Japanese chemicals Relative to the 225 Average . 106 104 102

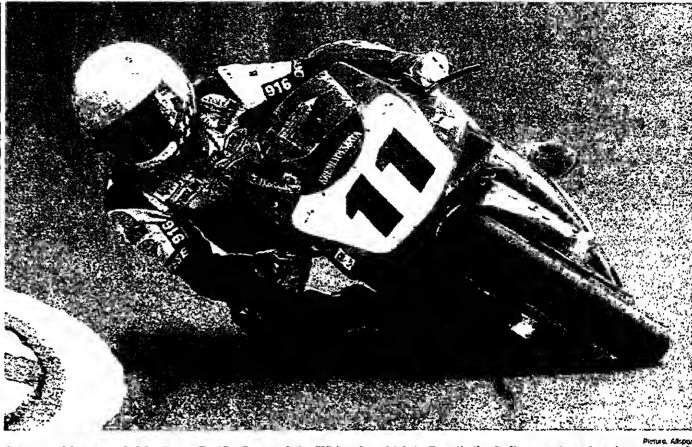
mergers and joint ventures But they have failed to close inefficient plants, cnt overheads and move into more profitable products. The most recent example,

announced three weeks ago. was the merger of the main chemical companies in the Mitsui keiretsu, or corpnrate family - Mitsui Petrochemical, a producer of synthetic textile materials, and Mitsui Toatsn, which makes resins and agrochemicals.

The merger, due for completion in October next year, will form Japan's largest chemical group after the formation of Mitsubishi Chemical two years ago, from Mitsubisbi Kaisei and Mitsubishi Petrochemical. The Mltsnbishl restructuring which has seen the number of Japanese PVC producers cut from 15 to 11.

But there are too many companies for the size of the market. In many cases, joint ventures and mergers merely seek economies of scale in distribution, but do not do what is most needed - cut capacity. Japan's chemicals companies cannot improve long-term profitability until they close inefficient capacity, and cnf jobs, plants and producers, the

report says. Ratings pressure, Page 26 *The Japanese Chemical Indus-More Restructuring Needed, Moody's Investors Ser-



A group of investors led by Texas Pacific Group of the US has bought into Ducati, the Italian sports and racing motorcycle manufacturer. The L400bn (\$300m) deal is intended to lead to a doubling of production to 40,000 machines a year. Pictured above: American John Kocinski rides a Ducati in the recent World Superbike Championship at Brands Hatch in the UK. Report, Page 20

Autoliv to merge with Morton unit

By Hugh Carnegy in Stockholm

Sweden's Autoliv and Morton International of the US yesterday announced plans to create the world's biggest car airbag and seatbelt supplier through the merger of Autoliv with Morton's car safety busi-

The new company - Autoliv Inc - is forecast to have annual sales of \$3bn and more than 40 per cent of the airbag market in the US. Europe and Japan. The market capitalisation of the company, which is to be quoted on the New York Stock Exchange,

is set to be above \$4bn. Autoliv said the merger would produce little short-term

earnings enhancement. But shares in Autoliv, which will take a 53.5 per cent share in the new company, rose sharply after the news, closing at SKr286, up SKr33. In early trading in New York, Morton International shares rose \$1% to \$39%.

The two companies bave signed a letter of intent but have still to complete a full agreement and win shareholder approval. Once approved, the merger will combine Autoliv's fast-growing airbag system and seat belt

operations with the Morton subsidiary Automotive Safety Products.

Mr Gunnar Bark, chief executive of Autoliv until August this year, will chair Autoliv lnc. Mr Fred Musone, president of ASP, will become chief executive, and Mr Paul Charlety, the Frenchman who succeeded Mr Bark as Autoliv chief executive, will be chief operating officer.

Analysts said the two companies would make a neat match. Autoliv, spun off from Electrolux in 1994, is the leading seat belt and airbag producer in Europe, where airbag use is still growing fast. How-

ever, it has only a small market share in the more mature US market. ASP has most of its sales in the US and Japan. but has relatively small sales

in Europe

Under the planned deal. Morton International sbareholders will exchange their interest in ASP for 46.5 per cent of Autoliv Inc. Morton will then distribute sbares in a new company called New Morton International to continue its speciality chemicals and salt operations. ASP will provide New Morton with \$750m in casb, funded through borrow-

to put an exact figure on the extent of the industry's losses but added: "It could be £30m. but could be bigher still". Gamblers backing the

£25,000 for smaller ones.

Italian-born Mr Dettori to win all seven races saw their original bets multiply by the odds quoted on each horse every time be won. Faced with such a large number of accumulator bets on Mr Dettori, bookmakers were unable to pass the risks on to third parties. as they normally would.

Planned \$4.5bn takeover of ADT collapses on price

By Richard Waters in New York

A planned \$4.5bn merger that would have given Mr Wayne Huizenga, one of the most successful entrepreneurs in the US, control of home security company ADT collapsed yesterday after a no-confidence vote from the stock market.

ADT, a Bermuda-based company controlled by the British entrepreneur Mr Michael Ashcroft, is believed to have put a formal end to the transaction after it became clear that Mr Huizenga's all-stock offer could not be completed at the price originally intended.

The July offer from Republic Industries, Mr Huizenga's latest corporate vehicle, initially valued ADT at about \$25 a share, but fell quickly after the deal was announced to as low as \$18.50 a share.

In recent weeks, a growing belief in the stock market that merger opened a period of the deal would not be completed had led to a recovery in Republic's shares, and had left ADT's stock more than 25 per cent below the value implied by the offer.

ADT also faced opposition from its largest shareholder, Western Resources, an electric utility which owns 23 per cent of the company's stock, though this would not have been enough alone to block the deal. Yesterday's move prompted speculation on Wall Street, where most of the Bermudabased company's stock is traded, that other buyers

would eventually emerge for

ADT. The company, which

the rest from the car auction business, is the biggest home security company in the US, and is widely seen as having the strongest brand in a consolidating industry.

Companies which have expressed an interest in expanding into home security, which relies on a direct communication link to the home to provide constant monitoring, include telephone, cable television and energy groups.

In the short term, however, buying interest could be muted, Republic Industries, under its agreement, bas a warrant to buy 15m ADT shares at \$20 for the next six months, making any deal above that price more expensive for a buyer. Also, local telephone companies, among the most likely new entrants in the home security business. were blocked by legislation from making acquisitions until 2000, said Mr Jeff Kessler, an analyst at Lehman Brothers.

Western Resources, which has bought smaller home security companies, refused to comment on whether it would bid for ADT. However, it said: "We believe security services are a logical fit with energy services coming into the

ADT, however, is not believed actively to be seeking buyers. "There is no such thing as an exit strategy," a figure close to the company said. The agreement with Republic was prompted by what seemed to be an attractive offer from Mr Huizenga, rather than by an attempt to generates 80 per cent of its revsell the company. enues from home security and Lex, Page 18

This announcement appears as a matter of record only

September 1996

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64000 Bankers True New York Corporation and in attracted completes in the control of the control of the

COMPANIES AND FINANCE: EUROPE

Elektrowatt announces restructuring

By William Hail in Zurich

Elaktrowatt, the Swiss conglomerate that recently took over Landis & Gyr, the electronic control system group, yesterday announced a major restructuring, and forecast a 57 per cent drop in full-yaar net incoma to SFr90m (\$71.8m), despite a SFr2bn rise in revenues to

Tha sharp fall in expected profits for the year to end-September reflects provisions already announced of to cover the costs of restruct-

watt's net operating income would be similar to last year's SFr210m.

He said the group had met the targets set at the time of tha Landis & Gyr acquisition, but it was now necessary to create tha basis for "above-average growth" in sales and profits at the new Elektrowatt Group.

Tbe restructnring announcement comes amid speculation about the future of Elektrowatt, whose shares SFr80m on the group's real have risen 17 per cent this estate holdings, and SFr40m year. CS Holding, Switzarland's second biggest bank, uring following the SFr1.8hn wants to sell its 46 per cent acquisition of Landis & Gyr. stake in Elektrowatt to help Mr Oskar Ronner, Elektropay for its own restructuratt's chief executive, said ing.

that after adjustments for It is also rumoured that merger of the beadquarters the new provisions, Elektro- Motor-Columbus, whose big- of Landis & Gyr, a resbuffle gest shareholder is Union Bank of Switzerland, is interested in combining its own reduction of the amount of electric utility business with Elektrowatt's.

Switzarland plays an

important strategic role in European electricity supplies. A combination of the two companies would create a major Swiss competitor better able to take advantage of the opportunities arising from the deregulation of tha European energy market. Mr Ronner declined to comment on the speculation yesterday and stressed he wanted to keep Elektrowatt as an independent company.

The measures announced by Elektrowatt include a

of Elektrowatt's top management team, and a a planned capital tied up in Elektrowatt's low-yield electric utilities business. Elaktrowatt

share price. As part of the restructuring, Mr Ronner is taking charge of the building control business, which has been enlarged by the combination of Landis's operation and Elektrowatt's smaller

also plans to link the pay of

its top executives to the com-

pany's performance and

Staefa business. Mr Paul Otth, Landis's chief financial officer, takes over as chief financial officer of the enlarged group and ing

Jakobs Suchard executive. has been brought in as bead of human resources.

After the restructuring. Elektrowatt will be one of the world's leading suppliers of building control and security systems, with sales of SFr4.1bn and a staff of 21,500.

Its other business will be in power supply and the provision of power supply systems. It will have sales of SFr3bn and a staff of 9,500.

Elektrowatt's shares fell hy SFr2 to SFr493 yesterday. Mr Simon Marshall-Lockyer, of NatWest Markets in Zurich, said it was too early to say wbether the Landis & Gyr acquisition was work-

US-led group buys into Ducati

By John Griffiths

A US investment group has bought into Ducati, the legendary Italian sports and racing motorcycle manufacturer, in a L400bu (\$263.3m) deal intended to double production to 40,000 machines

A group of investors led hy Texas Pacific Group, based in San Francisco and Fort Worth, has formed a joint venture with Mr Claudio Castiglioni and his brother, Gianfranco, to acquire all the assets of the Bologna-based motorcycle company from Cagiva

Cagiva, the Castiglioni family-owned conglomerate, acquired Ducati 11 years

The new owners say that the substantial cash injection will at last help Ducati to develop new models and raise output.

The group has been constrained hy lack of finance, in spite of annual unit sales growth of 25 per cent between 1990 and last

"Our partnership with Texas Pacific will now allow us to do what we do best make the world's greatest and fastest motorcycles,' said Mr Claudio Castiglioni, Ducati's chairman.

Although Ducati itself has been profitable, its earnings have mainly been allocated elsewhere in the Cagiva gronp, Mr Able Halpern, Texas Pacific's negotiator of the deal, said last night.

The US investment group has acquired 41 per cent of Ducati, with 10 per cent beld by Morgan Grenfell Italy and the remaining 49 per cent by the Castiglioni brothers.

Texas and Morgan Grenfell bave paid a total of about \$100m for their equity stakes, with the other \$200m comprising loan capital.

The new venture, Ducati Motors, is to make an immediete distribution totalling L55bn to Ducati's suppliers, who have frequently faced

delays in receiving payment. The US investment group says it believes thet even donbling production, through an intended increase in manufacturing capacity at Bologna, would still leave worldwide demand for the racy machines substantially out-

Jacques Blondeau: 'You have to have a local foothold or yon are completely under the control of brokers'

groups," he says. "Clients do not want to be 100 per cent with one company, they likely through the acquisi-

In the wake of a number of He argues that "just about which now means one-third Blondeau stresses that it mergers between large rein- all possible mergers have

merger between Scor and ently. another group, but argues it "We are a beneficiary of would "not be easy" and the concentration into big says no discussions are currently under way. He believes evolution is more

ARD to market

EUROPEAN NEWS DIGEST

digital TV decoder

ARD, the German public sector broadcasting network, plans to market its own decoder box as part of its strategy for digital television.

The move marks a further stage in the likely demise of MMBG, the digital pay-TV consortium between ARD, the commercial media group Bertelsmann, Canal Plus, the French broadcasting company, and Deutsche Telekom the soon-to-be-privatised state telecoms company. MMBG was established to develop a uniform decoder and broadcasting standard for digital television, but has now all but collapsed after Deutsche Telekom withdrew two weeks ago to concentrate on marketing its own box.

ARD's decoder box, which is needed for the reception of the digitally transmitted signal, would be launched next April at a retail price of about DM200 (\$131). The decoder for KirchGroup'e digital pay-TV network, DF-1, costs

Mr Jobst Plog, head of North German Broadcasting (NDR), one of the members of the ARD consortium, said viewers would be able to tailor their own programme package through a series of "book-marks" which registered their particular tastes. Unlike its commercial rivals, which have been investing in the development of digital pay-TV, ARD would not be charging for the service. German television viewers already fund ARD and the second public sector network ZDF through a monthly licence fee.

Frederick Stildemann, Berlin

Polish copper sell-off on track A consortium composed of UBS, BZW and the Polish

Wielkopolski Bank Kredytowy yesterday signed a long-awaited agreement to advise the Polish government on the sale of KGHM, the country's copper producer, setting in train what promises to be Poland's largest privatisation to date.

The deal was signed on the last day of operations for

Poland's privatisation ministry before it is amalgamated with a newly created state treasury, which will have responsibility for holding and selling state-owned companies. It puts the KGHM privatisation on track for the middle of next year.

Last year KGHM reported a net profit worth 513.7m zlotys (\$183m) on sales worth 4bn zlotys. The government has said it intends to sell stakes to investors at home and abroad while retaining overall control of the combine, which is expected to be valued at about \$1.5bn.

Christopher Bobinski, Warsan

Degussa unit in US purchase

Degussa, the German chemicals, precious metals and pharmaceuticals group, said yesterday that its Asta Medica drugs unit was raising its stake in Muro Pharmaceutical of the US from 20 per cent to 100 per cent. The deal values Muro Pharmaceutical at \$350m. The purchase is subject to approval by US antitrust anthorities.

The group said the deal would be financed mainly through the issue of about 630,000 Degussa shares, which translates into about DM3L5m (\$20.7m) of base capital. It would also require \$100m in cash.

Muro specialises in over-the-counter respiratory drugs, one of Asta Medica's core husinesses. It employs about 270, people and has annual sales of about \$120m. Degussa said the acquisition would "significantly strengthen Asta Medica's position on the international pharmaceutical market". However, investors were unimpressed, and Degussa shares closed DM2.S lower yesterday at DM552.6. Sarah Althaus, Frankfurt

Krupp sells steel trading arm

Krupp, the German steel and engineering group, yesterday sold its steel trading activities to Stinnes withdrawing from a market in which it said it was too small. The sale marks a further disposal by Krupp, which has been restructured extensively in recent years. The Essen-based group declined to say bow much it had sold business for. The division had sales last year of DM465m (\$305m) and although it was profitable, Krupp said steel trading was no longer one of its main activities. "The market is extremely competitive and in the long run wa are too small," the company said.

Stinnes, already one of Germany's largest steel traders with sales of more than DM2bn, said Krupp's activities fitted well with its existing sites, especially in porthern Germany. Since Krupp is also the world's biggest manufacturer of stainless steels, Stinnes would also be able to offer clients a broader range of steel products, the company said.

Parmalat pre-tax rises 64%

Parmalat, the Italian dairy products company, yesterday announced a 64 per cent jump in pre-tax profits, from L89bn to L146bn (\$96m) for the six months to June 30. However, operating profit rose only 26 per cent to L232hn on sales up from L2,043bn to L2,694bn. The rapidly expanding group raised L464bn recently in a rights issue. AFX News, Milan

Roche in 'flu drug R&D deal

Roche, the Swiss pharmaceuticals company, has signed a collaboration with Gilead, one of the fastest-growing of US biotechnology companies, to develop drugs to treat influenza. Roche will make an initial payment of \$10m to Gilead with another \$40m payable as the collaboration passes product development and regulatory milestones.

Under the terms of the deal, Gilead will do the research and US testing while Roche tests outside the US. Roche would market and sell any products worldwide. The technology is based on chemicals called neuraminidase inhibitors that are also being tested by other companies. The most notable of these is Glaxo Wellcoma of the UK, which is a Gilead partner in a different medical area.

BALTIC INVESTMENTS S.A.

Interim Uneudited Results

| | For the s ended 3 | tx months Oth June |
|-----------------------------------|----------------------|-----------------------|
| | 1996 | 1995 |
| Turnover | £ 000 6,649 | £ 000 6,182 |
| Profit after tax | 2,714 | 2,658 |
| Basic carnings per Linked Unit | 30.9p | 30.4p |
| Gross dividend per Linked Unit | • • | 4.69p |
| per Linked Unit | 5.0p | |

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Scor's roadshow rolls on with global strategy

foreign travel schedule this week as he completes the final part of his strategy to make Scor, the French Scor already had "a small reinsurance group which he part of big companies" chairs both "large and through its New York global".

The US Securities and **Exchange Commission gave** the green light last week to the group's plan to seek a New York listing for up to 30 per cent of its shares, an operation expected to generate aome \$300m for the seller, the French insurer UAP. The shares will be introduced by mid-October.

It comes after several years in which Scor has gradually been diversifying its business activities, geographical spread and sharebolder base as part of its efforts to maintain an important role in the fast-changing world of reinsurance. The group is the world's

sixtb-largest reinsurer by turnover and, argues Mr Blondeau, one of just five which are truly global, offering all products through a comprehensiva network of local offices.

"It is more and more clear that you have to have a local foothold or you are completely under the control of brokers," he says.

That explains its recent branch openings in Brazil and Thailand, for example. More significantly, it is the reasoning behind the group's \$500m acquisition of the reinsurance arm of Alistate, the US insurer, this summer, from the market. But Mr

acques Blondeeu is in of turnover comas from the middle of a hectic North America.

"We were too small in the US and looking for e complementary portfolio," he says. operations, hut needed "a large part of small companies in tha Chicago-based regional market. He aays that an acquisition was a far more logical approach than attempting to build up a separate operation in a field known for long, well-established relationships.

He argues that a balance between US and European businesses is vital since they operate according to different cycles. He is more sceptical ebout the importance of Asia, arguing that the operations launched in the region by many compa-nies are "good for headlines" hut still very small. "Everyone is passionate about Vietnam, but the average income is very low and they only want to insure bicycles," he

Hence Scor's focus on the US - reporting its results for tha first time this year according to US accounting standards, in preparation for the imminent listing on the New York stock exchange. This explains Mr Blondeau's current "roadshows" to explain the group to foreign

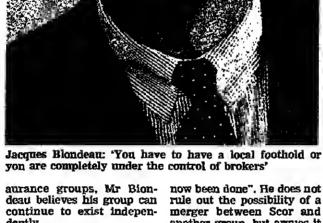
investors. The listing might seem a bit strange given that only its US-quoted subsidiary structure of owners.

activity and image" that the parent company be traded directly in New York.

Its now-dissolved Scor US subsidiary – and equivalents in Singapore and Canada -were a rather unsatisfactory way to raise capital at a time when the group was directly or indirectly controlled by the French government, which harred it from issuing shares in the parent company and was unable to provida it with additional money from elsewhere, "The state was not a very good

shareholder," he says. The new US listing is the final stage in an important modification in ownership of the group. Founded by the French government in 1970, Scor was controlled by a group of large netional insurers bound together in a pact. After the agreement came to an end in 1995, Axa and AGF - which had their own reinsurers - sold their

AP, which hed acquired a 40 per cent participation partly through its sale to Scor of its own reinsurance subsidiary in 1989, remained. It is now selling up to 30 per cent through the US market, while retaining a further 10 per cent for strategic reasons. He wants other clients such as Crédit Agricole's subsidiary Predica, and Swiss Re - to remain an last year the group withdrew baportant part of the new



diversification."

want to keep a minimum of tioo of portfolios rather than wbole companies.

Andrew Jack stripping supply.

Cost cuts lift Benetton earnings 9% but shares slip

By Andrew Hill

Benetton, the Italian clothing group, pushed up net profit in the first half of 1996 owing to further cost savings, lower financial charges, and "positive manage-

ment of currency risks". After tax and minority interests. the group's profit for the period rose to L116bn (\$76.2m), against L106bn in the first half of 1995. But

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operating profit elipped from Gilardi, the group's managing price L670 yesterday, to L17,150.

L232bn to L204bn and sales were director, said there would be a fur- "We came out with net profit 9 per static at L1.466bn, compared with

L1,463bn. Financial charges fell more than 50 per cent to L12.6bn in the first balf, and the strengthening lira also belped reverse the L22.8bn loss on foreign exchange operations in the first half of last year. This time, Benetton recorded a L39.4bn gain on hedging of cur-

rency movements, and Mr Carlo

ther gain in the second half.

Net debt was cut from L490bn at June 30 1995 to L235bn et the end of this year's first half. Mr Gilardi said the company expected to eliminate debt completely by the end of the year, and at least match firsthalf profitability in the second half.

The group was perplexed by the reaction of the market, which

cent higher in a weak market, in which we have increased our volumes, improved the competitiveness of our product and cut our going well," Mr Gilardi said.

centrating on its principal brands - United Colors of Benetton, Sisley, 012 and Zerotondo. Mr Gilardi pointed out - after the latest in a series of reports that Edizione would float a stake in

costs: I really don't see what is not The group - quoted in Milan but controlled by Edizione, the foun-

ding family's private bolding com-pany - invested L40bn in continmarked down Benetton's share ued production and procesa

equipment company, in New York lary of Edizione and not of the

quoted clothing group. World Stock Markets, Page 38 Merger of Aker and RGI stalls

By Hugh Carnegy In Stockholm

The proposed creation of a Norwegian industrial conglomerate stalled yesterday when Aker, the offshore engineering and cement group, and RGI, which has interests in fishing and shipbuilding, Iailed to agree terms for a merger.

After an eight-month courtship of Aker by RGI, during which RG1 built up a 30 per cent stake in Aker merger negotiations broke down over the weekend when the two sides disagreed over the relative values of the two companies.

A merger, favoured by both managements, would bave created one of Norway's biggest private-sector companies with a combined turnover of some NKri8bn (\$2.7hn). It would bave marked e furtber rise in prominence by Mr Kjell Inge Rokke, the Norwegian entrepreneur who has built RGI into one of the world's top fishing concerns.

Analysts said it was unlikely Mr Rökke Would give up the ambition to join the two companies. RGI repeated yesterday its helief in the logic of a merger and said it would reconsider its position. But it was not clear how the dispute between RGI and its fellow Aker shareholders, dominated by Norwegian and foreign institutions, could be resolved witbout a costly takeover bid by RGL Aker's B ahares fell

Benetton Sportsystem, the sporting

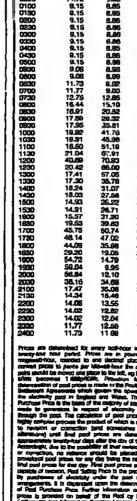
- that Sportsystem was a subsid-

NKr1.50 to Nkr122.50, while RGI shares were unchanged at NKr66.50. Negotiations broke down when RGI refused to accept that the valuations of the two companies should include a premium on Aker'a current share price. Since February, RGI bas

spent NKr1.5bn buying up a 30 per cent stake in Aker, and has topped this up with the purchase of options for a further 10 per cent. Its intervention has belped drive Aker's shares up from below NKr100 at the start of the The merger hreakdown

leaves Aker in limbo. Mr Tom Ruud, its chief executive, is due to leave the company at the end of this month, having been forced to resign earlier this year in a row over strategy. The group has undergone

redical restructuring over the past two years, switching from an operational industrial concern to a bolding company. Its main interests are an 80 per cent stake in Aker Maritime, an offshore engineering group a 33.8 per cent holding in Scancem, the Nordic region'e dominant cement producer; and a 30 per cent holding in Partek, the Finnish construction materials group.



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COMPANIES AND FINANCE: EUROPE

Iroubled Traub searches for suitor

raub, the troubled German machine tool company which has instantoney for five consecutive years, has put itself up

about 10 potential partners, interested in a full bid. with bank debts of Discount (\$1970), Germany's

marth-biggest machine tool bailder surgently needs' a Mr Gerhard Protze, the ompany's chief executive,

says a "clearer picture" of the company's future could emerga by the autumn, after talks with potential suitors. We are looking for [a partner] who could inject cash and has a strong position in markets where we

Asia and the US," he says.

Most of the potential part- ond half, with the likelihood

machine tool business. Mr Protze reveals no

names, but denies he had talked to Gildemeister. Gerfor sale many's biggest publicly and says it is talking with quoted machine tool many's biggest publicly

Some analysts have seen the final half of the year,"

German economy. Analysts, however, are sure where Mr Protze is going to find the extra orders he is talking about for in Chemnitz.

'We are looking for [a partner] who could inject cash and is strong in markets where we are relatively weak, such as Asia and the US' - Gerhard Protze, chief executive

Gildemeister, which also has financial problems, as a possible partner for Traub. Whila Traub made a loss of DM16.4m in the first six tion in markets where we months of this year, Mr are relatively weak, such as Protze says he is confident of

saya Mrs Elke Rudolph, an analyst at Commerzbank in Frankfurt.

Mr Olaf Tölke, of Merrill Lynch, says he does not "envisage a queue of companies wanting to join a venan improvement in the secture with Traub' About two-thirds of

venture, with the local Eicher industrial group,

could involve 60,000 Felicias

and Octavias a year, accord-

ing to Mr Wittig. China and

Egypt are further in the

future, but Skoda engineers

plant in China's Hebei state.

Mr Wittig says "discussions

are under way" in both

Experience suggests that

the move from oggotiation to

actual assembly will be pro-

longed. VW spent months in

talks with Eicher - eventu-

ally to no avail - before

handing the baton to Skoda.

"As we have the right cost

structure, we stepped in."

China and Egypt.

Mr Wittig says.

ners are already in the of a general upturn in the Traub's sales last year of DM521m came from lathes Traub will attempt to switch and turning machines, made generally sceptical about in its main factory in Rei-Traub's outlook. I am not chenhach, near Stntigart, search for lower-cost with most of the rest coming locations. from its Heckert operations

In 1993, Traub bought Heckert, a large milling machine enterprise, which in the 1970s and 1980s had been one of the flagships of tha East German machine tool industry.

Under a controversial deal with the Treuhand - the German state body charged with privatising industry in the former East Germany -Traub is receiving DM113m of state funds.

Mr Protze says investment at Chemnitz is having a "tremendous" impact on quality and productivity. Traub is also taking steps to deal with problems in the supply of components.

more of its manufacturing away from Germany in a

In particular, Mr Protze has high hopes for Tos Galanta, a manufacturer in Slovakia in which Traub acquired a controlling stake early this year. The company - with

labour costs 90 per cent lower than in Germany will be used to make "noocore components" such as castings and welded compo-Mr Protze saya Traub will

also step up assembly at its plants in the US and Italy, in order to reduce their dependence on Germany and to form closer links with customers countries.



Peter Marsh Gerhard Protze: confident of improvement in second half

Octavia becomes VW's spearhead in budget car battle

Skoda's latest model will allow its German parent to take on low-cost competitors from Asian producers

called a car Octavia, it was to celebrate the company'a eighth modal since its foundation. The latesti Octavia, recently mivelled, may have an unoriginal name, but it is the first to reflect the influence of Volkswagen, Skoda's new German owner.

Tha Octavia is central to VW's strategy of turning Skoda into its hudget brand. The car, to be priced from just DM22,950 (\$15,200) in Germany next year, is VW's spearhead against low-cost is below that of comparable, but contdated. Korean vehicles, and undercuts any thing similar from Japan. "We are offering European new technology at Asian prices," says Mr Detlef Wittig, Skoda's sales and mar-

keting director. Skoda and VW have high hopes for their new car. For Skoda, it should silence the taunts about "tackiness" and "unreliability". The Octavia year at full capacity. is a fine car, as Europe's motoring magazines bave start assembly in India, lensk (and Minsk) took

. .

he first time Skoda unanimously reported in Egypt and China The Indian Mr Wittig expects this

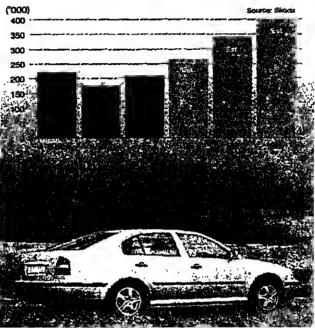
month's start of Octavia production to lift Skoda's total output to a record 265,000 units in 1996 and 340,000 in 1997. Once tha Octavia is lifted to its two-shift peak of have already investigated a about 90,000 units a year from 1998, output should reach 400,000 cars a year.

While most will be for

established markets in the Czecb Republic, Slovakia, Germany and the UK, VW bas decided that Skoda should go further afield. Asian competition. The price Assembly of Felicias at VW's van plant in Poland should rise to about 25,000 units next year from 16,000 in 1996 thanks to a DM10m invest-

> plants will accelerate once Felicia assembly begins under licence at Minsk in Belarus and Smolensk in Russia shortly. The two operations should each man-

koda is no stranger to The number of satellite protracted negotia-tions, however. Production in Russia bad been expected to start almost a year ago. However, Mr Volk-hard Köhler, Skoda's finance ufacture about 3.000 cars a director and formerly VW's troubleshooter for eastern Skoda also has plans to Europe, says talks in SmoGearing up production...



were the main bugbears.

much longer than forecast. focus is now on expanding Logistics and local red tape sales in central and eastern Europe, Asia and the Middle Although the primary East, Mr Wittig denies the

western Europe, Germany mainly the former communist East - is Skoda's second-biggest export market after Slovakia, followed by the UK. Mr Wittig estimates the Octavia will help Skoda raise its west European market share from 0.7 per cent today to 1-1.5 per

hile VW's strategy for integrating and expandiog Skoda eems sound, there are two big risks. Both are linked to the German group's philosophy of drastically reducing the oumber of basic engineering structures iplatforms) used by its its four carmaking subsidiaries. Sharing platforms between

the VW. Audi, Seat and Skoda brands offers tremendous economies of scale, which should allow the group to slash vehicle developmeot and tooling costs. But, while unquestionably advaotageous to VW and Audi, the bighest-cost producers within the group,

group is taking its eye off platform-sharing may he a mixed hlessing for Skoda.

About half the parts for the Octavia, which is based on the same platform as the oew Audi A3 and future VW Golf. are Germao. That makes them considerably dearer than equivalent components from the Czech Republic, where motor

> those in Germany. In time, more Octavia parts could be sourced locally. However, Czech suppliers would bave to undertake group-wide contracts to make this possible, and few are in a position to do this.

> A second risk of platformsharing is that Skoda's improving image and quality may canoibalise sales of other VW brands. Customers may one day realise that the Octavia is basically the same car as a dearer Audi or VVV.

If they vote with their wallets, it may be a compliment to Skoda, but will not necessarily benefit VW's overall

Haig Simonian International.

Kvaerner spurns VAI attempt to settle row

By Tim Burt

Kvaerner, the Norwegian sbipbullding and engineer ing group, bas rejected attempts by Austrian rival VAI to settle a molti-million dollar lawsuit over alleged industrial espionage at one of its UK subsidiaries.

VAI, part of the Austrian industrial conglomerate VA Technologie, yesterday admitted it bad met Kvaer-ner to discuss ways to defuse the row over the alleged theft of more than 2,000 documents from Kvaerner's Davy International subsidiary.

The Austrian company, however, said the discussions were instigated hy Kvaerner – a claim denied hy the Norwegian group and culminated in a meeting earlier this month between Mr Horst Weisinger, VAI's chief exacutive, and his opposite nnmber at Kvaerner, Mr Erik Tonseth.

Kvaerner, which inherited Davy following its £904m (\$1.4bn) acquisition of Trafalgar House earlier this year, yesterday indicated the talks had collapsed without agreement.

Industry observers said the Austrian group, which denies any wrongdoing, was likely to press ahead with industry wages are one-tenth plans to submit a "complete defence and counter-claim for substantial damages".

For its part, Kvaerner has Issued writs against Mr Weisinger and Mr Ricbard Guserl, VAI's finance director. The Scandinavian group has alleged that the executives were aware that VAI's UK sohsidiary had illegally obtained confidential technical and contractual information from Davy, Kvaerner's metals processing arm. Writs have also beeo

issned against other VAI employees, including Mr Roy Tazzyman, managing director of the Austrian group's UK suhsidlary. Mr Tazzyman was previously chief executive of Davy

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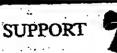
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GROUPE PARIBAS

First-half 1996 results Net income excluding minority interests: FRF 4 billion (USD 789 million).

Groupe Paribas earned net income including minority interests of FRF 5.498 billion (USD) I billion) in the first half of 1996, versus FRF 1.556 billion (USD 304 million) for the same period in 1995. Net income excluding minority interests amounted to FRF 4.042 billion (USD 789 million), versus FRF 609 million (USD 119 million) one year earlier.

The first half of 1996 was marked by both an improvement in income from banking activities and by the realization of significant capital gains from the Paribas Affaires Industrielles (PAI) portfolio:

• pre-tax return from operations at Banque Paribas

reached nearly 18% on an annual basis. unrealized capital gains from PAI's equity portfolio amounted to more than FRF 10 billion (USD 2 billion). despite the realization of FRF 3 billion (USD 586

million) in capital gains during the hist half, Crédit du Nord demonstrated its profit-making ability, in addition, the program of non-core asset sales announced earlier this year has already met its target and, after the allocation of provisions in 1995, specific items' no longer have a negative impact on the group's results.

Compagnie de Navigation Mixte, refocusing of Credit du Nord, strategic repositioning of Cogedim

Strong growth in the Banque Paribas contribution,

to FRF 1.043 billion (USD 204 million) Pre-tax return from operations amounts to 18%, due to: · revenue growth from all of the core business lines, and a stable cootribution from central asset and liability

management, stable allocations to provisions, as risk management costs remained at around 0.4% of loans outstanding on an annual basis.

· efforts to limit overhead and administrative expense increases (these expenses rose just 0.8%, at comparable structures and excluding extraordinary items and variable compensations).

The contribution from Paribas Affaires Industrielles (PAI) increased significantly to FRF 2.644 billion (USD 516 million)

Capital gains amounted to FRF 2.958 billion (USD 578 million), versus FRF 358 million (USD 70 million) in the first half of 1995.

Following these transactions, unrealized capital gains from PAI's portfolio at 30 June 1996 amounted to over FRF 10 billion (USD 2 billion), versus FRF 8.8 billion (USD 1.7 billion) at 31 December 1995.

(USD 28 million) to net income This contribution is down from one year earlier, since the first half of 1995 included an extraordinary capital gain of FRF331 million (USD 65 million) from the sale of UCB Home Loans. Ontside of this extraordinary nem, the Compagnic Bancaire contribution is stable with last year and all of the group's main activities except real estate financing improved their performance (in comparison with half of the year 1995).

Compagnie Bancaire contributes FRF 145 million

Crédit du Nord contributes FRF 110 million (USD

21.5 million) to group net income With a contribution to group net income of FRF 110 million (USD 21.5 million). Credit du Nord confirmed the profitmaking ability of its core business. Excluding nonrecurring nems, total revenue from operations increased 2.9%, while administrative and overhead expenses declined 1.5% and net income before provisions and tax

increased 31%. The « structure » generated a profit of FRF 100 million (USD 19.5 million), versus a loss of FRF 630 million (USD 123 million) In the first half of 1995

This line, which was negative in preceding years because it corresponds mainly to the debt of Compagnic Financiere de Paribas, recorded net income of FRF 100 million (USD) 19.5 million) in the first half of 1996. This performance reflects mostly capital gains made on the sale of some equity holdings of Compagnic de Navigation Mixte

(notably Compagnic Française de Sucrerie). In addition, FRF 300 million (USD 59 million) in provisions were allocated at the Compagnie Financière de Paribas level to cover future technology costs linked to

the single European currency. Estimated net asset value and BIS ratio

The estimated net asset value of Groupe Paribas excluding minority interests totalled FRF 52.1 billion (USD 10 billion), a 1.8% increase from the 31 December 1495. level. Consolidated net worth remained stable at FRF 40.1 billion (USD 8 billion), as the cancellation of treasury shares (held by Compagnie de Navigation Mixte) from Groupe Paribas consolidated shareholders equity was offset by net income in the first half

The BIS ratio for Tier 1 capital rose to 8.1%, from 7.9% at 31 December 1995.

The global BIS ratio amounted to 8.7% (versus 8.9% at 31 December 1993).

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ASIA-PACIFIC NEWS DIGEST

Japanese banks

COMPANIES AND FINANCE: ASIA-PACIFIC

Acer chief urges PC-makers to narrow focus

By Alan Cane in Berlin

manufacturer has to rank making money despite among the top five companies in its market segment in order to be profitable, and be in the top 10 if it wants to survive, according to the chairman of Taiwan's leading PC maker.

Mr Stan Shih, chief executive of Acer, said yesterday at Etre, an annual computer conferenca in Berlin, that sbarp changes in market economics favoured segment leaders rather than PC companies which tried to compete across the board.

Mr Shih said that if a company aspired to global success, it had to be among the top five global manufacturers. If it was a niche pro-ducer, then it had to be ona of the top five in that partic-

Acer, which had sales of \$5.8bn last year, is the only non-Japanese Asian company among the world's top 10 manufacturers and is among the top three in the US consumer PC market.

Mr Shih was explaining why so many PC manufacpersonal computer turers are having difficulty strong market growth. He said tha greatest margins were being made by component suppliers, and by producers of processors or operating software, rather than by assemblers or distributors. Mr Shih's remarks are significant for groups such as Ohvetti of Italy, which is seeking a partner for its troubled PC division.

Mr Shih said there was

reluctance among new customers to buy general purpose PCs because they were too expensive and too complicated to use. He said that, by 2000, sales of personal computers would rise from 58m today to 300m a year. but 200m of these machines would be simple devicas priced between \$200 and \$900 and dedicated to specific tasks such as education or Internet access

The computer industry, bowever, is still divided over the future of the "network computer" - a simple to use,



Stan Shih: markets make it difficult to compete across the board

inexpensive and stripped down PC designed to make access to the Internet easy.

first proposed by Mr Larry strated prototype network computers. Mr Roel Pieper Ellison, chairman of Oracle. Big manufacturers attendnewly appointed chiaf execu-The network compoter was ing the conference demon- tive of Tandem, said the

an era when staff used dumb terminals connected to main frame computers. Mr Marco Landi, chief operating officer of Apple Computer, rejected suggestions the company would go

domestic PC and the mobile

PC would have to be full-

out of business or become a niche manufacturer. He said finances ware accure and operating expenses were being cut by between \$300m and \$350m a year.

Mr Landi arrived at Apple only months after Mr Gilbert Amelio replaced Mr Michel Spindler as Apple chief executive this year. Mr Landi was critical of Apple's previous business practices. He had had to set up units to focus on areas such as small business, tha home and edncation, and said a \$12bn company should not be managed like a starter. For the first time Apple had "total accountability and clear measurability" in ita

Village and Packer in Sega tie-up

By Nikki Tait in Sydney

Village Nine Leisure, a joint renture between Australia's Village Roadshow cinema and entertainment group and Mr Kerry Packer's Publishing and Broadcasting, has signed an exclusive distribution agreement with Sega Enterprises of Japan to distribute video game prod-ncts throughout Australia and New Zealand.

Distribution will ha handled by a new joint venture, managed by VNL but jointly owned by the two companies. They said the deal represented a "shift in direction" for Sega, which had previously dealt with individual distributors in Aus-

The joint venture also comes on the heels of a court decision in Australia which affirmed the copyright content of video games.

Both companies said they saw the venture as a "strategic alliance", but stressed it would not affect their separate entertainment centre developments. Villaga and the Packer group formed VNL several years ago to build a series of large "Intencity" indoor entertainment developments, mainly in shopping centres, in Australia and overseas.

Sega, meanwhile, is due to open an interactive theme park at Darling Harbour, in central Sydney, next year.

Where do

smart insurance

for their insurance?

companies go

waive Y1,700bn function machines, but PCs for business could be network computers, recalling A total of 13 Japanese banks said they had waived a combined Y1.700bn (\$15.3bn) of outstanding claims for housing finance loan companies in the first half to September. The banks said the move would not affect

their earnings forecast for the year to March 1997, as they had already booked sufficient provisions for bad debt Sakura Bank waived the largest amount, Y280hn. followed by Sanwa Bank, which waived Y243bn in claims. the banks said. Mitsui Trust was ranked third, waiving

Investor reveals Astra stake

Mr Putra Sampoerna, the tobacco entrepreneur, has disclosed he owns 9.81 per cent of shares in Indonesia's Astra International, following heavy trading in the car-to-plantations conglomerate's stock last week. In a letter to Bapepam, Indonesia's capital markets supervisory board, Mr Sampoerna said he bought the shares because of the company's "attractive and well diversified business plans". Bapepam requires disclosure of holdings of more than 5 per cent.

The statement has not tempered talk, however, that Mr Sampoerna may be acting as a front-man for tha entry of other politically powerful shareholders. His letter said that, as he was now a shareholder "with a sizeable investment, we expect to make a contribution to the growth and development of Astra". He did not give

Mr Sampoerna bought part of his stake in Astra from Mr Henri Pribadi, who until recently held 3.26 per cent through the holdings of Number 6 Enterprises Ltd. Other details of the composition of Astra's principal shareholders are expected to emerge when Astra files its share registry to Bapepam. The company's foreign shares yesterday closed unchanged at Rp4.550. Manuela Saragosa, Jakarta

Volvo sets Asia targets

Volvo Car Asia Pacific is aiming for annual car sales in Asia, excluding Japan, of 50,000 units, more than double the 20,000 it now sells in the region. Mr Jan-Olof Nilsson. president of Volvo Car Asia, said Mitsubishi Motors was a prospective partner in tha region, as the two companies were already linked through their joint investment in the Netherlands NedCar project.

As part of its Asian strategy, Volvo has recently set up an Asia-Pacific headquarters in Singapore. The company has been running assembly lines in Malaysia since 1967, and in Thailand since 1976. Volvo will focus on the development of specific products for the region. The company expects 70 per cent of its Asia volume to come from markets in Thailand, Taiwan, Australia and Korea, with Malaysia running a distant fifth.

Three-way split for Tenaga

Tenaga Nasional, Malaysia's semi-privatised power utility, is to divide its operations into three main divisions as part of a restructuring, Mr Leo Moggle, minister for energy, telecommunications and posts, said the company's generation, transmission and distribution operations would be handled by separate units. However, the units would remain part of Tenaga's corporate structure and would not operate as separate companies.

Mr Moggie's remarks were the first indication of the government's plans for Tenaga since a peninsula-wide blackout on August 3 prompted Dr Mahathir Mohamad. the prime minister, to call for an independent study on ways to avoid future power cuts.

Some government officials have suggested that breaking Tenaga's transmission and distribution monopolies might be advantageous, but no decision on

James Kynge, Kuala Lumpu

taster

Dentsu opens Seoul office

Dentsu, Japan's biggest advertising agency, is to open a new business sales office in Seoul. The company said total advertising expenditure in South Korea in 1995 was \$6bn, the largest in the Asian region after Japan. Reuter, Tokijo

Nithipat looks at takeover of Bangkok bank

By Ted Bardacke in Bangkok

Nithipat Capital, a Thai finance and securities com-pany, is looking to buy a controlling stake in the trouhled Bangkok Bank of Commerce, a medium-sized commercial bank taken over by the government last May.

Mr Bodi Chunnananda, finance minister, said the company had proposed taking a 40 per cent stake in the bank at a cost of \$426m. Most of the stake would come from the Tantipipatpong family, which recently failed to reach an agreement with government authorities over what to do with the approximately \$3bn in bad debt held by the bank.

Nithipat Capital had proposed that the government create a separate company to accept the entire debt burden, Mr Bodi said. The Tantipipatpongs wanted the government simply to write have tried unsuccessfully off the bad debts. The gov- several times to grasp manernment owns approximately 70 per cent of the bank, following a recent

\$1bn capital injection. The company also wants proposed debenture issue. under new management. A takeover.

decision is expected within two weeks.

Nithipat Capital itself has lately suffered from declining profits and low provision levels. Analysts see its mova on Bangkok Bank of Commerce as an attempt by the company's two main shareholdera, Securities One, the broker, and Land & Houses, the property developer, to acquire a potentially lucrative commercial banking

Securities One, which owns 24 per cent of Nithipat Capital, is controlled by Mr Pin Cbakkaphak, who recently had his bid to merge with Thai Danu Bank rejected by the finance min-

Land & Houses, which controls 22 per cent of Nithipat, is part of Mr Pin's group of shareholders that hold a 24 per cent stake in Bank of Asia, where they agement control

Finance ministry officials said the solid reputation of these two companies would belp restore some of the to change the conditions of a Bangkok Bank of Commerce's credit lines, which which is expected to help the have been cancelled in the bank raise fresh capital wake of the government

Japan's pension funds are increasing their emphasis on shareholder value, a trend that may have ratings implications for Japanese corporations, a report by Moody's Investors Service, the creditrating agency, sald yester-

By Gerard Baker

Corporate pension funds have suffered dismal returns on their investments as a result of low interest rates in the past few years, and they hava baen forced to reexamine their investment criteria, the report

This trend has been

By Laura Tyson in Taipei

An estimated 15 Talwanese

consortia had joined with

foreign partners to bld for

eight mobile telephone oper-

ating licences by yesterday's

deadline, in what will be the

biggest privatisation of ser-

vices in the country's tele-

The ministry of transport

and communications is

expected to announce the

winners at the end of the

year. Some 40 Taiwanese

an estimated 18 foreign tele-

coms concerns, are queueing

for licences. Rivalry is

intense among bidders,

communications industry.

in asset prices, and an accelerating decline in the total number of employees contributing to pension

These problems are forc-

Japanese warned on ratings

ing a larger number of corporations to take a closer look at their pension fund programmes," Moody's said. Lifa insuranca companies and trust banks, the leading pension funds, are under greater pressure to explain their equity investment strategies. Most pension funds have

relied beavily on traditional relationship-based investments as the core of their equity portfolios. Though the difficulties for their credit standing, the

compounded by sharp falls they face will not produce report said.

Walsin Lihwa with Airtouch

of the US; Formosa Plastics

the US; the Shin Kong group

and Hongkong Telecom: Far

Eastern group with the US's

AT&T; and Pacific Electric

Wire & Cable in partnership

with Korea Telecom and

Many of the bidders have

either set up or are estab-

lishing joint venture compa-

nies. Two of them say they

(US\$218.3m). Foreign compa-

nies are restricted to a maxi-

mum 20 per cent stake in

domestic telecoms ventures.

McCaw of the US

business groups, along with are capitalised at T\$6bn

with Southwest Bell, also of

Taiwan telecoms bids roll in which include the Koo's group with US-based Sprint; Many of the consortia are bidding for several licences. some of which will be for nationwide services, while

radical changes in this strat

egy overnight, Moody's said, the problems of the past few

years have meant that fund

managers' opaque business

decisions have become barder to justify to their

force companies to focus

more on business objectives

more familiar in the

Anglo-Saxon corporata

world, with growing empha-

sis on higher returns on

corporations to increasa

leverage or engage in share

buy-backs, factors that could

hava negative implications

This, in turn, would force

equity in particular.

This change is expected to

hard-pressed clients.

others will be regional. There is substantial pent-up demand for mobile telephona services in Taiwan. At the end of May 1996, there were 850,000 ceilular phone subscribers, up 44 per cent from a vear ear lier, according to the central statistics office. Nearly 400,000 applicants for cellular services are awaiting

The national legislature has passed laws paving the way for sweeping reforms to the telecoms industry.

CANAL+

INTERIM 1996 NET INCOME UP 16.6%

■ CANAL+, Europe's leading pay-television group, said that its Board of Directors had closed tha consolidated accounts for the first six months of 1996. Consolidated revenues rose by 8.3% over the period, while interim net incoma increased by 16.6% to FF 386 million. Highlights of the accounts were as follows:

| 6/1995 |
|---------|
| + 8.3 % |
| 17.9% |
| 1.6% |
| 18.8% |
| 81.1% |
| 61.7% |
| 76.6% |
| • |

- Consolidated revenues increased by a very satisfactory 8.3% in the first half of 1996, led by the good marketing performance of CANAL+ and the succes of CANALSATELLITE in France. The April launch of the digital service only intensified the growth in CANALSATELLITE's subscriber portfolio, whose recruitments from May to August surged 85% from the same period in 1995. By the end of the period, the number of new subscribers for exceeded initial forecasts.
- Pursuing trends observed at the end of 1995, the French channel is in excellent financial health, with operating margin showing a significant gain to 26.1% from 21.2% the year before. The improvement reflects efficient management of the channel's main operating expenses, particularly overheads and subscriber management costs, whose growth was once again less than that of revenues. In addition, the refocusing of the Group's production activities on France and the rest of Europe had a positive impact and led to a substantial improvement in Le Studio CANAL+'s
- The increase in operating income offset the decline in income from associated companies, which primarily resulted from the consolidation of CANAL+ Poland over the full six months and the recording of non-recurrent items in CGV's results.
- After an exceptional charge of FF 31 million related to provisions for contingencies on certain investments, net income after minority interests amounted to FF 386 million for the period, on increase of 16.6%
- The Group's financial position remains very healthy. Consolidated cosh flow of FF 1,445 million omply contributed to financing on-going operations, as well as the buy-back of minority interests in Le Studio CANAL+ and the acquisition of the Carolco catalogue. As of June 30, the Group's cash position, net of borrowings, amounted to FF 1.9 billion, while shareholders' equity stood at nearly FF 8 billion.
- The parent Company's sound commercial and financial health, the improving contribution from the foreign channels and the turnaround in Le Studio CANAL+'s position should all continue in the second half. On the other hand, expenses related to the April launch of digital services will have an impact on the entire six months of the second half, compared with just two months in the first. Based on these factors and the seasonal nature of the business, tha CANAL+ Group expects to report full-year net income at least equal to the 1995 level.

Halifax Building Society

£200,000,000

Subordinated Variable Rate Notes with a maturity of 12 years

Notice is hereby given that for the three months interest period from Septamber 27, 1996 to December 27, 1996 (91 days) tha Subordinated Notes will carry an interest rate of 6.4%. The interest payabla on December 27, 1996 for the Subordinated

By: The Chase Manhattan Bank London, Principal Paying Agent October 1, 1996

The Nippon Credit Bank

U.S. \$500,000,000

Subordinated Floating Rate

hereby given that the interest rate for the Interest Period from 30th September, 1996 to 31st December, 1996 is 5.9625% per annum. The Coupon Amount payable on the 31st December, 1996 in respect of each of U.S. \$10,000 in principal amount of each Note is U.S. \$152.38.

Bankers Trust

(Curação) Finance, N.V.

Company, London

Registration Number: 01/00251/06 ANNUAL GENERAL MIEETING

Estates Gold Mining Company. Witwaterstand, Limited will be held in the Boardroom, 121 Consolidated Building, Fox and Harrison Streets, Johannesburg on Friday, 25th October 1996 at 10h50.

October 1996 at 10h5 may obtain copies of the arms report from the London Secretarie JCI (London) Limited, 6 St James Place. London SWIA INP. JCI (London) Limited

30th Septemb

Issue of up to an aggregata of

(formerly Subordinated Variable Rate Notes issued by Leeds Permanant Building Society)

CHASE

Guaranteed Notes 2000

n occordance with the terms and conditions of the Notes, notice is

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited

BANQUE NATIONALE DE PARIS Programme for the Issu Debt fastraments 68P 50,908,089 Floating Rate Notes due 1997 Series 16 Tranche 1

tice is hereby given that the rate of the period from September 2

A global leader in reinsurance

Listed on the

stock exchanges

USD 150,000,000

SOLVAY FINANCE

(Bermuda) LTD

Floating Rate Notes

due 1998

September 30, 1996 March 31, 1997

6.25%

Serie 2 USD 30,000,000

Interest Amount due on March 31, 1997 per

USD 500,000 USD 15,798,61

BANQUE GÉNÉRALE DU LUXEMBOURG

Agent Bank

Frankfurt and Hannover

hannover **re**

hannover **re** Hannover Rückversicherungs-Aktiangesellschäft P.O. Box 610369, 30603 Hannover, Germany

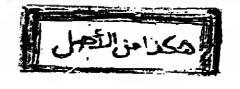
Phone +49/511/56 04-0, Fax +49/511/56 04-188

Residential Property Securities No.4 PLC

£150.000.000 Class A2 Notes

£5,000,000 Class B Notes

Mortgage Backed Hoating Rate Notes due 2025 In accordance with the provisions of the Notes, notice is hereby ven that for the three month period 27th September 1996 to 27th December 1996, the Class A2 Notes and Class 8 Notes will carry an interest rate of 6.16531% and 7.19531% per annum respectively. The interest payable per £100,000 Note will be £1,395,19 for the Class A2 Notes and £1,788.99 for the Class B Notes.



DIGEST banks

CY OCTOBER 1 1996

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the amount vision. Water Commence Warren har sales

Astra stake

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Net debt

Information Carrier Service and Communications Aerospatiale 37. boulevará de Montmorency 75016 Paris - FRANCE

FINANCIAL TIMES TUESDAY OCTOBER 1 1996

COMPANIES AND FINANCE: THE AMERICAS

Amoco sees \$10bn chemicals sales

ny James Kynge n Kusia Lumpur

Amoco, the US oil and hetrochemicals company, predicts that its chemicals will achieve worldwide sales of \$10bm by 2000, ecompared with \$5.6bn in 1955. Total group sales in 1955 were Salbn.

greculive vice president, the predicted expansion in sales was expected to come from Asia, where he saw from Asia, where he saw to open the company's end of the year. Paraxylene demand for purified tere 500,000 tonnes-a-year PTA is the feedstock for PTA.

ews Corporation wants top slot in the US news television

ratings for its round-the clock Fox News

Channel, and, it is not pre-

Any lingering doubts

about the ambitions of Mr

Report Murdoch, News Corp

chairman, were dispelled in

two exchanges last week.

First came word of gener-

ous agreements with two

leading cable providers which will take Fox News

into 2.5m homes over the

next three years, starting

next week when the channel

Next came words from Mr

Ted Turner, founder of Cable

News Network, undisputed

champion of the non-stop

news business, who likened Mr Murdoch to Adolf Hitler

and accused him of using his

existing US media holdings

as propaganda tools in a war

Fruity exchanges are noth-

ing new between Mr Mur-doch and Mr Turner, whose

TBS media and entertain-

ment group, together with

its CNN business, is soon to

be absorbed by Time

Warner. Mr - Murdoch has

long envied and publicly

coveted CNN's influential

position - even though he

has described its stance as

The tension climbed again

last week after Mr Murdoch

Time Warner when it com-

mitted half its network of

1996

First Half

Results

Orders

Net income

1995

as to carrying

disturbingly "liberal".

pared to wait.

goes live.

on his rivals.

at 8 per cent or 9 per cent annually.

- Amoco is the world's largest producer of PTA, which is used in making polyester fabric, cassette tapes, microfilm and many types of plastic containers.

Mr. Sosa said that while the company had delayed or scrapped projects elsewhere because of fears of global oversupply, it had no plans to do so in Asia.

phthalic acid (PTA) growing plant in the east coast state of Kuantan.

rently running at 75 per cent of capacity and cost M\$1.2bn (US\$480m) to build, is Amoco's largest wholly-owned plant in Asia. It began prosell 80 per cent of its output should come on stream in Malaysia.

In addition, a 350,000 plant in Singapore, in which Amoco holds a 45 per cent Mr Sosa was in Malaysia stake, will be finished by the

Rather than getting mad with Ted Turner (left), Rupert Murdoch plans to get even

Last week's deals with

Continental Cable and Com-

cast - the third and fourth-

between them - were

"bought" at a cost of about

\$10 for each subscriber, plus

\$50m from News Corp for a

third share in its new part-

of a substantial signing fee a start-up cable channel, it round-the-clock news busi-from News Corp, which has leaves News Corp short of its ness. Plans for its ABC net-

ox News will enter

12m viewers on tap.

the fray with about stakes, Mr Murdoch has

ners' Golf Channel.

launched 24-hour news joint pared to take Fox News.

News Corp claimed it had ranking cable groups, with deal all but signed for almost 8m subscribers

pledged vengeance against probably means the sacrifice Although this is a record for Walt Disney out of the

MSNBC, the recently programme distributors pre- homes, and well behind scrapped earlier this year

been paying record sums to break-even target

venture between General

Electric's NBC and the

a deal all but signed for

Time Warner to pipe Fox

News into 9m households.

Instead, Time opted to fulfil

a commitment to federal

antitrust regulators that it

would offer viewers an alter-

native to CNN, through a

deal to supply MSNBC to

Time Warner's decision

5m-plus subscribers.

Microsoft software group.

In the first half of 1997, a joint venture between however, that prices and The plant, which is cur- Amoco and Mitsui, of Japan, will complete a 350,000 tonnes-a-year unit in Merak in Indonesia. A 250,000 tonnes-a-year PTA plant in Zhuhai, southern China - 80 duction in June and aims to per cent owned by Amoco -

> in 1999. The expansion in Asia construction of a new paraxylene plant in Alabama, and the cancellation of a jointventure paraxylene project with Total in France.

CNN's 68m connections and

the 23m boasted by MSNBC,

which replaced an existing

NBC service. America's

Talking. Fox should have almost 15m by 1999.

nels should open up in the

interim, including smaller

cable groups and News

Corp's own satellite TV ser-

vice, due to start late next

By raising the financial

Active in over 40 countries,

Lafarge holds leading

already succeeded in driving

work to join the

Further distribution chan-

Mr Sosa was confident, margins for PTA and paraxylene would rebound by the last quarter of this year. The degree of future oversupply in Asia depended largely on whether or not South Korean companies pushed ahead with planned expansions of capacity, be said.

The fundamentals for tonnes-a-year paraxylene trasts with the delayed con- PTA in Asia are very sound," Mr Sosa said. "We're very hullish on Asia's growth opportunities and confident that our position is unique in the key markets."

Fox News advances under volley of words when the group reviewed the challenges offered by the \$750m NBC/Microsoft investment plan. Newa Corp's sub-

scriber premiums - and the

unproven demand for news,

news and more news. Even traditional current affairs programmes have lost ground, losing almost 10 per cent of their audiences in 1995 alone. Despite CNN's international renown, its prime-time viewing numbers are tiny compared with entertainment programmes, and rarely exceed 1m.

While it is believed to contribute steadily to Mr Turner's bottom line, CNN has been overtaken in the rankings by other niche-market newcomers such as Lifetime, a channel aimed at women, and Discovery, for natural history fans.

Last week, threatening litigation and a possible boycott of Time Warner programming by his Fox broadcast network. Mr Murdoch met Mr Turner's latest outburst with the observation that rather than getting angry, he would concentrate on getting even.

Despite the bluster, a return to the negotiating table and a showing for Fox News on parts of the Time Warner system not yet reached by MSNBC seems the most likely near-term outcome. Mr Turner's declared ambition of squashing Mr Murdoch "like a bug" will then look even more unattainable.

Christopher Parkes | month.

Rockwell, Lockheed in six-year shuttle deal

By Richard Tomkins in New York

Rockwell and Lockheed Martin, the US defence contractors, yesterday signed a \$7bn contract to take over the management of the US government's space shuttle programme for the next six

United Space Alliance, a ioint venture owned equally hy the two companies, will take over almost every aspect of the space shuttle programme from the National Aeronautics and Space Administration. although astronauts will remain in government service.

The contract amounts to a privatisation of the US government's manned space flight operations.

Mr Glynn Lunney, United Space Alliance vice-president and programma manager, said: "We are bon-oured that Nasa has granted us this role, and we are also fully aware of the many tasks and challenges ahead."

The move is part of an effort by the federal government to cut the programme's heavy cost without compromising safety.

Nasa believes the consolidation of 85 space shuttle contracts under a single prime contractor will enable United Space Alliance to cut about 7,500 jobs from the combined public and private sector workforce of 24,500 employed on the programme, bringing savings of hundreds of millions of dol-

lars a year. Rockwell and Lockheed Martin already bave more than two-thirds of existing contracts for the shuttle operation, so the new contract is not entirely new business. No other companies were invited to

Rockwell's share in the venture will pass to Boeing on completion of Boeing's \$3.2bn takeover of Rockwell's aerospace and defence

AMERICAS NEWS DIGEST

Boise Cascade sells coated paper arm

Boise Cascade, the Idaho-based paper company, yesterday sold its coated paper business to Mead, an Ohio paper and packaging company, for about \$650m in cash. The deal involves the sale of a coated-paper mill in Maine, with 667,000 acres of supporting woodland. Mead already has coated-paper mills in Michigan and Ohio, and said the acquisition would give it extra flexibility and fit its strategy of concentrating on coated paper for magazines annual reports and advertising brochures.

The purchase will be funded with extra debt, which will take Mead's debt to capital ratio to approximately 38 per cent. Both companies said the deal would improve their earnings next year, and both registered share price gains on the news. Boise will use the funds to accelerate improvement of its remaining paper husiness, which includes significant investments in uncoated paper. In early trading yesterday, Boise shares rose \$11/4 to \$33%. while Mead added \$% to \$59%. John Authers, New York

Owens Corning in S Africa buy

Owens Corning, the Ohio-based glass and building materials group, has agreed to buy 51 per cent of Acoustical Fibreglass Insulation, the largest South African manufacturer of glass fibre reinforcements, glass fibre and rock wool insulations. The company will be renamed Owens Corning South Africa.

Financial Staff, London

ADM resolves suits for \$65m

Archer Daniels Midland, the US grain processor, has settled two more price-fixing complaints, bringing to \$90m its total paid this year to resolve civil lawsuits stemming from a government investigation of its pricing and marketing practices. The company agreed to pay \$35m to customers of its citric acid products who filed a class-action antitrust suit in Federal court in San Francisco. It also said it would pay \$30m to sharebolders who sued the company, saying profits from price-fixing artificially supported ADM's share price.

Earlier this year, ADM and its competitors in the lysine feed additive business agreed to pay \$45m to settle civil lawsuits brought by customers charging price-fixing. ADM's portion of that payment was \$25m. In each case the company agreed to pay damages without admitting any violations of law. Laurie Morse, Chicago

Pharmacia settles with Biogen

Pharmacia & Upjohn, the Swedish-US drugs company, is to pay \$30m, plus a percentage of sales of the company's human growth bormone Genotropin, to Biogen, the US blotechnology company, in settlement of a patent dispute. The dispute concerned a protein secretion technology licensed to Biogen by Harvard University in Massachusetts. Under the agreement, that technology is licensed to Pharmacia & Upjohn, As a result of the agreement, the two companies have settled their litigation over the technology in Japan, the US and Sweden. Daniel Green, London

Canadian gold merger shelved

Dayton Mining and Pegasus Gold, two medium-sized Canadian gold producers, have dropped their planned US\$390m share-exchange merger because they could not

Aerospatiale: return to profit faster than expected A SIGNIFICANT INCREASE IN ORDERS

atiale recorded a significant rise in orders booked, to a total of FF 23.3 billion at June 30, 1996, compared with FF 20.4 billion for the yearearlier period and FF 39.3 billion for all of 1995 (with a constant dollar). Our recovery accelerated after the half-year period, with Aerospatiale booking orders worth FF 38.5 billion as of August 31, 1996. This includes FF 23.3 billion for Aircraft, FF 1.9 billion for Missiles, FF 4.8 billion for Space and Defense, and FF 8.5 billion for Helicopters. Based on these results, Aerospatiale expects to post a significantly higher total of orders than sales in 1996. Aerospetiale's sales for the first half of 1996, however, decreased to FF 23.11 billion, compared with FF 24.63 billion in the first half of 1995. On a comparable-structure basis, with a constant dollar, this represented a decrease of 8.9%. However, this difference is not considered significant, because two-thirds of Airbus deliveries in 1995 (79 out of a total of 124) were recorded in the first helf, while only 62 Airbus aircraft were delivered in the first half of 1996, out of an expected total of 126 for the year. Aerosp sales for 1995 should be comparable to the 1995 figure of FF 49.23 billion.

A STRONG RISE IN NET INCOME The Group posted net income of FF 273 million in the first half of the year. versus a loss of FF 105 million in the year-earlier period, and a loss of FF 981

million for 1995. These results reflect the initial positive impact of the restructuring plan, which began to be implemented in 1996, and should produce its full effect by late 1998. In addition, these results reflect the impact of the company's massive reduction in debt load, as well as its hedging policy, which enabled it to obtain a dollar exchange rate significantly higher than the

THE CONTINUED REDUCTION IN DEST LOAD

Net debt was once again reduced, with a further improvement in working capital requirements reducing debt by FF 2.9 billion compared with December 31, 1995. At June 30, 1996, net debt stood at FF 3.6 billion, or 83% of consolidated equity, which equaled FF 4.4 billion.

Results for 1996 will depend, as in past years, on the average dollar hedging rate. Based on the figures for the first half of the year, the overall restructuring plan (cost reduction measures, reorganization, company-wide focus on marketing) is producing results as expected, thanks to the commitment and motivation of all personnel. With the U.S. dollar remaining at the first-helf rate, full-year results should be in line with those recorded at June 30.



specialty products. and esthetic appeal.

positions in each of its core businesses: cement, concrete and aggregates, gypsum, and With its products and its expertise developed around the world, Lafarge helps to improve the quality of life by enhancing comfort, safety

internet: http://www.bourse-de-paris.fr APPOINTMENTS

Lafarge: interim 1996 financial results and full-year outlook

Consolidated sales for the six months to June 30, amount to FRF 15.9 billion (-0,4% compared with the same period of last year).

LOWER FIRST-HALF EARNINGS

Operating income before exceptional items, interest and tax contracted by 26% in the first six months, to

FRF 1,228 million from FRF 1,660 million the year before. The decline was primarily the result of two factors:

. Sustained weakness in the European economy, particularly in the first quarter as the downtum observed at year-end 1995 continued into the new year. This had an adverse impact on the new construction, renovation and public-works markets;

An exceptionally harsh winter.

Net income after minority interests declined by 53% to FRF 545 million, due both to the lower operating income before exceptional items, interest and tax, and to the near absence of exceptional income for the period. This income amounted to just FRF 47 million in first-half 1996, as opposed to FRF 429 million a year earlier. Earnings per share came to FRF 6.1.

Working capital provided by operations was down 23% to FRF 1,761 million.

Given the seasonal nature of most of Lafarge's operations, these interim results are not a meaningful indication of full-year performance.

CONTINUED EXPANSION

In recent months, a large number of growth developments have been announced in all Group businesses, notably in Europe (in the United Kingdom, Italy, Germany, Poland and Russia), North America (in the gypsum sector in the United States), South America (Brazil) and Asia (in the gypsum segment in China). In all, some FRF 2 billion in consolidated investments were committed in the first half of 1996.

As of June 30, stockholders' equity came to FRF 31,572 million, compared with FRF 30,794 million at the end of last year. Net debt was FRF 4,369 million, against FRF 2,938 million at December 31, 1995.

A BETTER SECOND HALF

Commenting on the interim results, Lafarge Chairman Bertrand Collomb noted that "the first quarter was especially difficult, with an extremely rough winter that sharply reduced sales volumes. In the second quarter, we encountered contrasting conditions depending on the market: depressed in France, where the construction industry had its worst year in a long time, mediocre in western Europe, but good in the United States and excellent in certain emerging markets."

"It was the unusual convergence of these factors and the absence of exceptional income that explains the decline in our interim earnings", emphasized Mr Collomb, adding that, "today we are seeing encouraging signs of a rebound in some of our markets. The second half should therefore be better. Our objective is to achieve full-year operating income before exceptional items, interest and tax equivalent to that recorded in

"At the same time", concluded Lafarge's Chairman, "we are continuing to expand, in order to broaden and strengthen our market positions. Our investments in this area will reach FRF 7 to 8 billion."



MATERIALS FOR BUILDING OUR WORLD

ABBEY NATIONAL

Abdij Nationaal First Capital B.V. U.S. \$75,000,000

Subordinated Guaranteed Floating Rate Notes Due 2002 For the Interest Period 30th September, 1996 to 27th March, 1997 the Notes will comy an Interest Rate of 5.625% per annum, the Coupon Amount payable per U.S. \$1,000 Note will be U.S. \$27.81, and for the U.S. \$10,000 Note, U.S. \$278.13, and for the U.S. \$100,000 Note, U.S. \$2,781.25, payable on 27th March, 1997.

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ADVERTISING

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LEX COMMENT

Brent Walker

The 40 per cent rise in

Brent Walker's share price

vesterday was quaint. It is

good news that an arbitra-

tor has decided that the

price the debt-laden lei-

sure group paid GrandMet

for William Hill in 1989

should be cut by £118m.

The snag is that there is

little chance of any of this

money finding its way to

shareholders. It is not sim-

ply that GrandMet is plan-

ning to pay over only

£36m, on the grounds that

Brent Walker owes it £82m. Even if Brent

Walker can persnade

preference shares have to be dealt with.

24

US\$400,000,000

Multicurrency Revolving Credit Facility

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ABN AMRO Bank N.V.

Banque Nationale de Paris Citibank, N.A. Credit Suisse Deutsche Bank de Bary N.V. SBC Warburg

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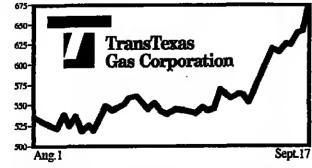
Nomura International

Salomon Brothers International Limited

SBC Warburg

Sometimes, Being #3 Isn't So Bad.

It just depends which way you're headed.



TransTexas Gas Corp. became the #3 natural gas producer in Texas by increasing gross production 25% since August I to 672 million cubic feet/day.

Production of the Company's new development areas, including the Bob West North field and third-party-operated wells, has increased six-fold to 290 million cubic feet/day since January 1 of this year.

NASDAQ:TTXG For More Information, Contact Investor Relations (713) 987-8600

COMPANIES AND FINANCE: UK

Lucas Varity acquires Boeing's cargo arm

By Tim Burt

LucasVarity, the Anglo-US components group, is today Lucas Aerospace one of the expected to announce the first deal since its £3.2bn (\$5hn) merger by acquiring aircraft. the cargo systems arm of Boeing, the US aircraft man-

The acquisition - for an undisclosed sum - follows talks between Boeing and Lucas Industries, the UK automotive and aerospace equipment company which merged with North America's Varity Corporation last

Directors of the enlarged company are understood to dle deck" systems - a grow-

their first board meeting last week. It is expected to make world's largest manufacturers of cargo systems for civil

Boeing yesterday said the move was part of a process that will see the proportion of its ontsourced components rising from 48 to 52 per cent of the total in the next

While the acquisition should give LucasVarity a commanding presence in "lower deck" cargo systems, it should also establish an important presence in "mid-

have approved the deal at ing market as elderly passenger aircraft are converted to cargo use.

In addition to supplying Boeing, the deal will give it exclusive rights to supply carriers with cargo spares for Boeing's 747, 767 and 777 aircraft.

Company officials believe the deal signals a continuing commitment to aerospace. previously touted as a possible disposal.

Under the deal, Bosing Georgia - the cargo handling division of Boeing will be integrated into Lucas Lucas Varity's shares yesterday rose 131/2p to 255p.

Rank sells Precision

By Scheherazade

Organisation yesterday sold its Precision Industries business to Schroder Ventures for £72m

It is the first deal in the leisure group's £300m disposal programme, which follows a review carried out by Mr Andrew Teare, chief executive since April.

The venture capital purchaser is affiliated to the are Shearings, a coach holi-

Merger

hurts

EFM

By Roger Taylor

Edinburgh Fund Managers yesterday said that restruct-uring costs associated with

its merger with Dunedin Fund Managers, which it

bought in March for over

£77m (\$115.5m), bad cost £5.4m. Staff bad been reduced from 271 to 193 and there had been the closure of

Dunedin's offices in Edin-

months to July 31 to drop 47

per cent to £3.4m. Excluding

exceptionals and proceeds from disposals, profits rose

Mr Iain Watt, EFM's chief

Pre-tax profits for the six

burgh and Chicago.

61 per cent to £8m.

the disposals Schroder Ventures is pay-

ing £63m in cash and £9m in loan notes. The business made pre-tax profits of £2.5m on turnover of £114m in 1995. Precision Industries makes measuring equipment and

entertainment lighting systems. Rank is retaining the digital projection business, but is expected to dis-Other businesses for sale

investment bank handling day business; Rank Amuse ments, a high street amusement machines business; and Kingston Plantation, a timeshare resort in South

Carolina, US. These should raise about

The second round of bidding for Shearings, expected to realise about £80m, takes place this week

Other disposal candidates include Pinewood Studios and Rank Film Distributors expected to raise £100m.

Arbitrator rules for Brent Walker

GrandMet to cough up interest on the £118m, this will do

nothing for shareholders. Before they get a penny, the

Even if one is optimistic, Brent Walker's busin not worth anything like £2.1bn. William Hill itself could

£1.5bn owed to Brent Walker's banks and the £850m in

fetch £700m at a stretch; PubMaster and other odds and ends might be worth a maximum of £200m. Add in £100m

from GrandMet, if Brent Walker is lucky, and that gives a grand total of £1bn. That is not nearly enough to pay off the banks, let alone the preference shareholders.

So why do the ordinary shareholders live in hope?

Presumably because one possible end-game is that the banks will refinance Brent Walker again by swapping

debt for equity. Given that the shareholders would have a

vote on that, the banks might just be prepared to leave

them some crumbs. And with the market value of ordi-

nary shares only £18m, that is certainly all they have.

By David Blackwell

Brent Walker paid £117.5m (\$183.8m) too much for William Hill when it bought the betting sbop chain from Grand Metropolitan for £685m in 1989, an independept arbitrator ruled vester-

GrandMet responded by knocking off the £50m deferred consideration, plus about £30m of interest, which Brent Walker refused to pay six years ago. That left about £36m to be paid to Brent Walker, which will be provided for in the 1995-96 accounts as an exceptional Mr. John Leach, Brent Walker's chief executive,

said the board would meet tomorrow to discuss how to proceed, adding: "It is always better to win than ranted by GrandMet for the

Both sides still have mass" and takeo it almost ish Coal pension fund, one of manages most of the British acquisition. But GrandMet that the profits should have said both parties should now been stated at £45.83m.

be able to resolve any out standing matters "without further resort to the courts". Shares in Brent Walker, whose main asset is William Hill, rose 1p to 3p yesterday, while shares in GrandMet

shed 2p to 4731/sp. The arbitration decision is unlikely to have much effect on the balance sheets of either group, however. Brent Walker is struggling with a £1.5bn debt mountain and has negative net worth of : more than £1bn, while :: GrandMet is easily able to :22 cover the interest on its £2.8bn of debt from cash flow. check

Brent Walker's claim, initiated in 1990, related to the level of profits at William Hill, which it said had fallen well short of the £55m war-

year to September 1989. The arbitrator - Mr Ray executive, said the deal had doubts about EFM's future July Goldman Sachs bought claims against the other aris-given the company "critical by confirming that the Brit- CIN Management, which ing from the contentious Arthur Andersen - ruled

Daewoo may pay premium for Lotus

By John Griffiths

Daewoo. tbe Korean industrial group, is poised to pay a substantial preminm to acquire Gronp Lotus, the UK sports car and engineering concern.

Daewoo urgently needs to donble its motor vahicle engineering staff to 8,000. It has been determined to outbid other potential investors in the financially pressed UK concern to gain access to the 1,000-strong engineering staff at Lotus, considered among the world's most talented.

Daewoo is keen to expand its design and engineering capabilities to rush into production the much wider vehicle range needed to meet its ambitious target of joining the world's top 10

Under the terms of the deal, which could be signed by the end of the week, Daewoo is expected to pay some \$75m to Mr Romano Artioli, the Italian entrepreneur and current owner of Lotus.

This is well in excess of the amount which other potential investors, including the Ricardo and Mayflower engineering consul tancy groups, have been prepared to offer.

However, there was general uncertainty yesterday as to whether Mr Artioli would submit to, what would be for him, the bumiliation of selling Lotus. An Italian company

which, be claimed, intended to buy the name and assets of his Bugatti companies in Italy and Luxembourg both in receivership - has not materialised, leaving him still facing creditor claims understood to total more than \$100m. Without the rescner, Mr Artioli could be regarded as baving no choice but to sell Lotus.

British Gas cool on Hydro

of the abortive ettempt by Scottish Hydro to buy its domestic gas supply busi-ness in Scotland and parts of northern England.

£8bn under management.

fain Watt: deal gave company 'critical mass'

fund managers. It now has rectly, its largest share-

He attempted to quash change its relationship. In

doubts about EFM's future July Goldman Sachs bought

The company said the sudden decision on Sunday to end months of detailed negotiations on the transfer of the domestic monopoly in Scotland, Cumbria and Northumberland wes a

"joint one". It blamed "commercial burdies" and the absence of "firm regulatory advice" as factors which had caused the talks to collapse. The company stressed that

Scottish Hydro initiated the discussions, which a British Gas executive described as "sensible but which did not reach agreement". British Gas was committed

to the national gas market, and was not "actively seeking" to divest any other parts of its domestic supply monopoly, due to end in 1998 when full competition is introduced. But it would still consider any proposals. Some industry analysts

yesterday asked whether the failed talks indicated dissen-

British Gas yesterday downplayed the significance Robert Corzine analyses reasons behind the sudden ending of detailed talks

sion within the company have forced many brokers to over how it should position itself to deal with the planned lifting of its domestic monopoly in 1998.

holder, bad no plans to

An executive said there was "total eccord" among the management team at British Gas Energy to terminate the talks "for e variety of reasons." These included the time-consuming restructuring and the need to focus management attention on the troublesome introduction of a new national com-

puter billing system. But in the City there was disappointment that e sale could not be agreed, as it would have provided a benchmark against which analysts could value the company, due to be demerged next year from TransCo, the pipeline monopoly.

Analysts said a sale of the Scottish domestic business for a reported £250m would

increase valuations for BGE. Other analysts were concerned over whether Mr Roy Gardner, the head of BGE, which includes domestic supply and gas trading, would be able to follow the "creative and innovative" strategy that senior executives have said is needed to ensure its survival in a competitive market.

There was evidence of that strategy last month when BGE diversified into financial services with the introduction of the Goldfish credit card. There have been rumours

in the gas industry in recent months that Mr Gardner has run into resistance in implementing some of his reorganisation ideas. There have also been sug-

approval from the British

Gas board for some proposed

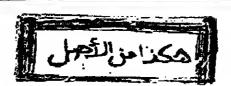
gestions that ha may have been thwarted in gaining solutions to the group's dis-pute with North Sea producers over £40bn of take or-pay contracts. These lock it into paying relatively high prices for gas it no longer needs. The contracts have been assigned to a BGE subsidiary, and Mr Gardner has been given the task of overseeing negotiations with producers.

One explanation for why the talks failed is that British Gas may simply be fighting on too many regulatory and commercial fronts to give sufficient management time to forge such a groundbreaking deal.

It has a number of demanding decisions to take soon. By next Monday it must decide whether to accept tough gas transportation price control proposals from Ofgas, the industry regulator, or ask for a referral of the matter to the Monopolies and Mergers Commission. A separate set of price control proposals for domestic gas supply is expected to be published by the regulator on Friday. The company is also in the midst of organising its demerger.

RESULTS

| CHC Properties 6 mths to June 30 | Timbor | wr (Em) | | e-tac: It (£no) | - | | Current | Date of | Conseponding | | |
|---|----------|------------|------------|--------------------|------------|----------|----------------------|------------|-----------------|-----------|--------------------|
| INC Properties 6 miths to June 30 | | | | r fami | | S (p) | payment (p) | phyment | dividend | Total tor | Total last |
| | 3.2 | (3.4) | 1.02 | (0.617) | 0.48† | (0.35) | 0.13 | Dec 5 | | year | year |
| OCS Yr to June 30 | 30.5 | (8.7) | 2,37 | (0.81) | 8.31† | (5.02) | 1 | Dec 2 | 0.12 | - | 0.27 |
| dinburgh Fund 6 mins to July 31 | 15.1 | (10.1) | 3.43♣ | (6.52♥) | 8.21 | (23.1) | á | Nov 1 | 1 . | 1.5 | . 1 |
| iscal Properties 6 mins to June 30 | 3.41 | (2.94) | 1.12 | (0.87) | 2.38 | (1.5) | 0.72 | | . 8 | •• | 25 |
| Solder: Land 6 mths to June 30 | 0.562 | (0.292) | 0.206L | (0.13L) | 8.21 | (5.21_) | 0.72 nii | Nov 15 | 0.6552 | - | 2.0563 |
| Groupe Chez Gérard | 16.4 | (13.1) | 2.86 | (2.33) | 10.8 | (8.4) | 1.9 | | n | | BH |
| fealthcall 6 mths to June 30 | 28.1 | (25.4) | 2.87 | (3.87) | 3.29 | (4.46) | | Nov 16 | 1.65 | 2.8 | 2.4 |
| Secox | | (-) | 2.9 | (1.06.) | 4.08 | (2.25 | 1.65 | Nov 7 | 1.65 | • | 4.95 |
| ondon Town Φ 9 miles to June 30♦ | 0.719 | (2006.0) | 0.0281 | (0.007♥) | 1.221.+ | (0.03 | 1 | Oct 29 | 1 | | 25 |
| forthern Leisure _ 53 wks to Aug 31 * | 26.9 | (23.2) | 5.51 | (3.77♥) | 9.81 | , | | | - | - | يد. |
| lasts Stores 6 mits to July 27 | 33 | (24.7) | 5.19 | (2.814) | 6.47 | (8.3) | 2.25 | Dec; 2 | 2 | 4.25 | 7 |
| restwick | 38.6 | (34.2) | 1.61 | | | (2.42) | 21 | Nov 6 | | | |
| afuge 6 mths to June 30 | 30.0 | | 1.01 | (1.53🏟) | 3.16 | (2.46) | 0.5 | Dec 11 | nit | 0.5 | 3.33 |
| elf Sealings $\phi = 6$ mins to June 30 \div | A 4 - A | (-) | | (-) | | (-) | 5.4 | Oct 16 | · 🔏 | 0.5 | ref. |
| tileidYr to Mar 31 ★ | 0.118 | _(-) | 0.308L | (D.848L) | 6.03L† | (38.921) | - | - | Ţ | . • | 13.35 |
| iliver Shield | 0.894 | (3.62) | 0.4371. | (0.445L Y) | 11.1L | (11.1L) | nii | - | nВ | | - |
| THE STREET | 0.63 | (-) | 0.031L | (-) | 0.084L | (-) | - | | **** | niii | unij - |
| Frey § | 39.3 | (40.9) | 4.66L | (0.005L | 1.19L† | (0.01L) | nii | - | _ | • | |
| nicorn inti 6 mths to June 30 | 53.2 | (52.6) | 3.55 | (3.4♥) | 8.1† | (14.5) | 2.05 | Nov 5 | n i | 떼 | rdf |
| nited Energy 6 mins to June 30 | 2.49 | (1.78) | 0.262 | (0.035) | 0.7 | (0.1) | | 1404 0 | - | . • | · · · |
| nited Friendly 8 mths to June 30★ | - | (-) | 50.6 | (50.2) | 41.4 | (44) | 11.2 | Oct 18 | | · - | 2 * |
| | | • • | | , , | | , | 11.2 | VCC 18 | 7.3 | - | 24:8 |
| rvestment Trusts | MAX | 7 (p) | | utable ge (Ent) | FP: | 5 (p) | Coment | Date of | Corresponding | Total for | |
| laterust Euro Index 6 mins to Aug 31 | 112 00 | | | | | | payment (p) | payment | Cividend | yeer | Total last vear |
| ast German & Yr to Mar 31 | 112.86 | (99.62) | 0.507 | (0.39) | 1.48 | (1.14) | • | - | | | |
| | 1.72 | (1.99) | 4.13L | (5.32L) | 0.074L | (0.095L) | សារ | - | na) | - | 1.1 |
| ligh Income Yr to June 30 | 97.08 | (84.55) | 1.55 | (1.65) | 6.82 | (7.25) | 1.167# | Oct 15 | | ПД | rill |
| cottish Asian | 299.8 | (\$19.9) | 0.229 | (0.029) | 1.16 | (0.17) | • | | 1.067 | 6.5 | 6.4 |
| amings shown basic. Dividends ahown net Comparatives for 5 months to March 31. First interim for current year of 0.533p a | Fictures | in bracke | ts are for | comenond | ren marked | A48 | | | | .• • | |
| Companying to F | 40- | arativae m | | Commence | W PORNU. | | كالمراج الهلالمبلح | e. Vater (| Micentianul and | 40.40 | |
| Pulin paragyes for 5 morning to March 31. | | | SEEDL TO | | | | ∩ ninka ma -≥ | | | L 716 | |



TECHNOLOGY

Drugs with a message

is abuzz with talk about a new industry that many predict will rival biotechnology and traditional pharmaceuticals in medical significance: signal transduction therapy. This is big - much bigger than gene therapy," saye ichard van den Broek, a senior blotechnology analyst at Hamprecht & Quist. "This is the future of drug discovery."

PRIORY OCTOBLE

COMMENT

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報知: 201

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MARK ENGINEERS

The high level of excitement earchers say, can be measured by increasingly frequent articles on the subject in scientific publications. Already, a number of companies have been formed around signal transduction, most of them within the past few years. Ligand, probably the oldest group in the industry, was established in 1987, followed by Ariad, Tularik, Signal, Sugen, Cadus, Applied Immune Sciences, Terrapin and others

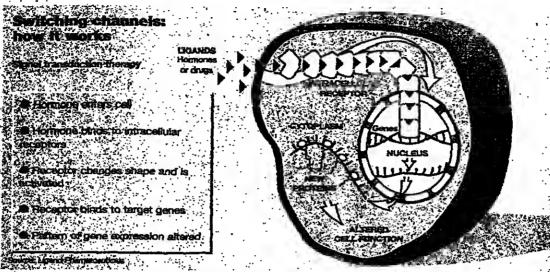
Although none has yet launched any products on the market, analysts predict the industry will bear its first fruit within the next few years. "I would say we'll see the first drugs in this area by the end of the problem is," says Alan Lewis, the century," says David Molowa, chief executive of Signal. "That a biotechnology researcher at means more fine-tuning and Bear Stearns.

Signal transduction therapy orks by manipulating chemical signals - within cells. Drugs known as ligands penetrate the cell membrane to bind with intracellular receptors – cellular antennae – within the cell's inte-rior, or cytoplasm. The reaction causes the cell to "change chanthen sent to the nucleus, stimulating genes to produce larger or smaller amounts of specific enzymes, migrate to another part of the body, or absorb certain proteins. These functions have a profound impact on disease.

There are approximately 3,000bn cells in the human body, and the only way they can function as a whole is to be in constant communication with each other. Many diseases, scientists believe, are caused by messages gone awry. Cells that erroneously helieve they should multiply quickly cause cancer, cells that think they should migrate and attack cause auto-immune disease, and cells that fail to produce or absorb certain substances can cause dysfunctions hormone in transgenic mice such as diabetes.

entists say, they can avoid some 'drug, rapamycin. The company of the pitfalls of conventional blo-expects clinical trials of a simi-

Signal transduction therapy is hailed as the next big drugs breakthrough, writes Victoria Griffith



technology, which works largely outside the membrane. "We can attack the problem at an earlier stage, where the true source of fewer side-effects.

· Signal transduction also allows researchers to intervene after the cell is already misfunctioning. This is in contrast to protease inhibitors, for instance, which work by preventing binding to the cell in the first place, Signal transduction also has an edge over gene therapy, since it does genetic make-up of a patient but transduction products are merely to orchestrate the gene machinery, adjusting the flow from various genetic spigots.

Because signal transduction therapy uses small molecules. moreover, scientists say drugs born of this technique may be administered orally, rather than in the intravenous form required by many hiotechnology products. That these drugs can he given in pill form is a huge advantage, says Andrew Perlman, head of medical research at Tularik.

Sceptics say there is little new about intracellular signalling ings of cells. What will set the

already on the market steroids for the treatment of lupus, the auto-immune disease, oestrogen

therapy for osteoporosis, seratonin drugs for mental illness, and cyclosporine for immunosuppression, to name a few. Analysts put world sales for lipidsoluble hormones - hormones that can dissolve into the cell's cytoplasm - at ahout \$5hn a year.

Yet these treatments were largely discovered through serendipity, before researchers knew much about the internal work-

nels". Altered cell messages are not seek to reconstruct the drugs. A large number of signal next generation of intracellular Winning combination

ell-signalling technningy can be combined with gene therapy to regulate the production of proteins in the

The journal Nature Medicine last mouth published details of "an exciting and navel approach" to switching genes on and off, developed over the past two years by Ariad, a Massachusetts biotechnology company.

Ariad's scientists showed that the production of human growth could be controlled by varying "By gesting inside the cell, sci "oral doses of a small molecule

lar system to start next year. Its control separate cell-signalling ambition is to replace injections of therapentic proteins, such as erythropoietin and growth fectors, with its new combination of gene therapy or cell therapy and oral drugs.

"By implanting cells engineered to produce therapeutic proteins in vivo and controlling those cells with a pill, we may be able to achieve safer, more effective and less costly treatments for patients who receive protein drugs that require frequent injections," says Michael Gil- mice's bloodstream. man, science director.

The Ariad technology uses ine to

pethways that regulete gene transcription and protein production. Rapamycin essentially acts as a molecular bridge to link two proteins, called transcription fectors; one binds the DNA of the new gene at the correct site and the other initiates the process of reading it.

If no rapamycin is present, the cells cannot make growth hormone. Higher doses of the drug prodoce proportionately higher amounts of hormone in the

Clive Cookson

signalling products apart, those in the industry say, is that they will be designed with this purpose in mind.

Knowledge of cell function has increased so much over the past five years that scientists feel equipped to design drugs to send specific messages. At least six major cellular signal pathways have been identified. This understanding may mean faster drug discovery and fewer side-effects, as researchers home in on single functions. "Now we can use a rational approach, focusing on specific targets." eays Peter Hirth, in charge of medical research at Sugen.

The existence of effective signal transduction products is, in fact, a source of comfort to the industry. "There's not such e leap of faith involved as there is with gene therapy, because we already know this can work," says Molowa. "There's no proof of coocept to worry about."

Signal transduction companies are tackling a host of diseases, although many have a particular focus on cancer. Signal is concentrating on osteoporosis, inflammation and cancer. Ligand is tackling various illnesses, including Kaposi's sarcoma, lymphoma, diabetes and ovarian and prostate cancer. Sugen is focusing on brain tumours and skin cancer.

Signal transduction does carry potential risks. Although scientists believe they can use the technique to reduce unwanted side-effects, these do exist in hormonal drugs already on the market. Researchers concede that because signal transduction is a new science, reactions are largely unpredictable. "We don't fully know what the results are nf modifying signalling cascades within cells," says Lewis of Signal. "That's the potential Achilles heel."

Although hormones, which will form the bulk of signal transduction therapies, easily penetrate cell membranes, scientists say getting other messaging drugs inside the cells may be difficult, rendering treatments ineffective.

Despite the potential risks, researchers and analysts believe signal transduction will he a powerful source of drugs in the next century. "You have the best of both worlds: the oral deliverability of traditional pharmaceuticals and the rational design methods of hiotechnology," says van deo Broek of Hambrecht & Quist. "This is a powerful new



On the road to development: the lightweight car body

Andrew Baxter on an innovative design for a lightweight car

Steel goes for perfect body

car, but the picture above marks the latest stage in a worldwide initiative to design a steel car body that is both lighter and more rigid than the typical five-passenger saloon on he road today.

It is an "exterior styling oncept" for the innovative UltraLight Steel Anto Body (Ulsah), the hrainchild of a consortium of 33 sheet steel producers representing 16 countries on five continents. The project aims to

demonstrate a lightweight steel car structure that meets a wide range of performance targets. By reducing the car's weight, less fuel is consumed and less emissions are produced helping the steel industry maintain its grip on the car body market against the encroachment of lightweight aluminium bodyshells.

The project has already generated substantial interest from carmakers in the UK and elsewhere, says Jeff Edington, executive director of technology at British Steel, an Ulsab participant. A number of manufacturers are using some or all of the Ulsah proposals. The styling concept is the first announcement under the

phase. It is based on the results of the initial engineering phase carried out by Porsche Engineering Services. an American subsidiary of the German luxury sportscar manufacturer.

The styling had to follow the engineering design of the Ulsab precisely and illustrate the highest quality surfaces typical of steel-skinned vehicles.

Producing it involved creating dozens of electronic paint sketch concepts, from which five themes were selected and narrowed down to a single style. Using this information, a three-dimensional computer model of the styling was created, from which photographic quality images were taken.

Styling the exterior in a particular way creates a look that is easily recognised, says Edward Ophroek, Ulsah's programme director. It also gives an opportunity to conduct forther design studies for doors or other closures.

A completely assembled Ulsah "hody-in-white" structure is expected to be unvelled. along with engineering data. performance and crash analysis results, in spring 1998.

LAW

British Coal's rights upheld



icy does not contravene the competition provi-SUROPEAN sions in the

European COURT Coal and Steel Community Treaty, the European Court of First Instance ruled last week. Under English law British Coal enjoys an exclusive

right to work and extract coal subject to a licensing scheme under which other mining companies can extract and sell coal in return for a royalty pay-British Coal is the main

supplier of coal to National Power and PowerGen, the two UK electricity generators. Under an agreement which came into forca in April 1990, British Coal was to supply the generators with most ni their coal requirements at a price of 170p per gigajoule. The price offered to the other licensed mining companies was between 122p and 139p per gigajoule, on top of which they were obliged to pay £7 per tonne to British Coal as a condition of their licences.

The National Association of Licensed Opencast Operators, representing some of the licensed mining compawith the European Commission, alleging that British Coal's agreement with the power generators and the lic- alty payment was too high ensing scheme were anticompetitive and unlawful it was based on the extrapounder the terms of the ECSC

The Commission's view was that the agreement with the power generators deprived licensed operators of access to the market and created a situation in which they obtained low prices. It said the £7 per tonne royalty

payment was too high. As a result the UK authorities offered to increase the price paid to licensed operators to 157p per gigajoule and reduce the royalty payment to £5.50. The Association rejected the offer, follnwing which the Commission said it would BRICK COURT CHAMBERS. not pursue the Association's

The second control of the second control of

British Coal's complaint, as the modificalicensing pol- tions had already been put

and to licensed operators was now not so large as to constitute discrimination, and the reduced royalty payment would not prevent efficient companies from making a profit or impose a significant disadvantage on them.

The Association applied to the Court of First Instance for annulment of the Commission'e decision. The Court struck out parts of the Association's claim on procedural grounds. Only the issue of the lawfulness of the royalty payment remained.

The main plea raised by the Association was that the Commission had committed errors of factual and legal assessment in determining that the royalty payment of £5.50 imposed hy British Coal was lawful under the ECSC treaty.

The Court noted the Commission's findings that the increase in the selling price and the drop in the royalty payment were likely to improve the profits of the licensed operators.

Given this improvement, the Association had not shown that the Commission nies, lodged a complaint was guilty of manifest breach of the treaty provisions. It said the Association's evidence that the roywas not conclusive because lation of British Coal's operating results in 1989-90 rather than on actual results.

The Court said the Commission was entitled to take the view that the new rate of £5.50 was lawful. The Association's other

pleas were rejected by the Court. The Association was ordered to pay the Commission's and British Coal's

T-57/91: National Association of Licensed Opencast Operctors v Commission, CFI SCH. September 24 1996.

BRUSSELS

Bankers Trust role for Attali



Bernard Attali (left), the former head of Air France resigned three years ago when his austerity plan for the state carrier provoked a hitter strike,

appears to be finding the world of finance more to his liking. After a spell chairing the super-

visory hoard of Banque Arjil, a merchant bank controlled by the Lagardère conglomerate that wants to huy Thomson, France's stateowned electronics giant, he has now been snapped np by Bankers Trust, the US hank, to head its French operations.

Attali, 52, whose financial experience also includes a period as chairman of the GAN insurance group in the mid-1980s, will report to Philippe Souviron, the recently promoted head of the bank's European office network. The company's French strengths include corporate finance, mergers and acquisitions and risk management.

Ashanti moves Ashanti Goldfields, the Ghana-

hased gold mining operation in which Lonrho and the Ghanaian government are both major shareholders, has strengthened its senior management, in line with its ambition to he one of the world's top five gold mining companies. Trevor Schultz, previously chief operating officer of Pegasus Gold of the US, joins as chief operating officer. He succeeds Colin Smith, who at 60 is retiring.

Schultz, 54, is a mine engineer who spent much of his career at with BHP Minerals, including management of the early stages of the Escondide copper project in Chile and development of the Syama gold mine in Mali. His role will be different from Smith's, inasmuch as Ashanti is likely to have as many as eight or nine operating gold mines hy the turn of the century, up from one - the Obuasi mine in Ghana - hefore its recent expansion. Sam Jonah, the group's chief executive, will continue to set the overall strategic direction.

Two further appointments at Ohuasi will allow Schultz to concentrate on integration and development of recent acquisitions else-

where in Africa. Peter Kinver, a Briton, joins from the state-owned Oman Mining and Oil Company to hecome general manager mines, responsible for all miniog operations at Obuasi. Michael Mracek, a Canadian who was most recently general manager of Royal Oak Mines in Canada, backs him up in the role of general manager. mining. Nim Caswell

INTERNATIONAL PEOPLE

Sotheby's promotes

Sothehy's Holdings, the parent company of Sotheby's worldwide auction, real estate and art-related financing ectivities, has appointed Kevin Bousquette to the newly-created post of executive vice-president and chief operating officer, hased in New York. He also joins the board of Sotheby's Holdings.

Bousquette has been with Sothehy's since 1993 as chief financial officer. He came from MBO specialists Kohlberg Kravis Roberts & Co: he previously worked as an investment banker in the mergers and acquisitions department of Morgan Stanley, and as a corporate lawyer.

Diana Brooks, president and chief executive of Sothehy's Holdings, says Bousquette's promotion will free her to focus her attention

franchise, our long term strategy, client relationships and key husiness development opportunities." Bousquette will oversee the firm's day-to-day operations internationally; he will retain his current financial responsibilities until a successor is found. Gary Mead

Hilton gaming chief

Arthur Goldberg, former head of Bally Entertainment and newly-installed chief of Hilton Hotels' gaming division, has been working as first lieutenant to Stephen Bollenbach, group president and chief executive, ever since Hilton purchased Bally in June. Now he has formally agreed to stay on.

By his account, most of the work needed to meld Bally's casinos into its new owner's gaming interests has already been done. According to Bollenbach, any early acquisi-tions are likely to be in the hotels division, which will be appreciably smaller than the gamhling arm under Goldberg's control.

The two men display an ease in one another's company which was not apparent last year when Barron Hilton first appeared in public with Bollenbach to introduce him

"on the expansion of Sothehy's as his successor and announce his own move to the chairmanship. Since then, Bollenbach's strategic link with Hilton International, owned by the LK's Ladbroke, and the almost-simultaneous takeover of Bally, have smacked of a decisiveness not seen during the Hilton scion's reign. Christopher Parkes

Sabena shakeout

Swissair, which owns 49.5 per cent of Sabena, is continuing to shake up the management of the lossmaking Belgian sirline which is supposed to provide it with a cheap ticket into the European Union.

In August Jan Ghyssaert resigned as Sahena's secretary general; now Bernadette Franzi, Sahena's commercial director, has quit. Ghyssaert was replaced by Patrick du Bois, an ex-McKinsey consultant, and Hilde Burie has joined from Philips as Sabena's head of human resources.

Paul Reutlinger, Swissair's former head of marketing who replaced Pierre Godfroid. Sabena's chief executive six months ago. will take over responsibility for Sabena's marketing until a new marketing chief is found. William Hall

ON THE MOVE

■ Charles Blitzer, formerly the World Bank's chief economist in Moscow, has been appointed chief economist in London for the emerging markets group of DONALDSON, LUFKIN &

JENRETTE. ■ Gyorgy Szapary has been appointed to a second three-year term as a vice-president of the NATIONAL BANK OF HLNGARY.

Edward Kubrasik. McKinsey consultant, is to be proposed as a member of the SIEMENS management board, from January 1, with responsibility for high-technology business. James Cherry has been

appointed president and chief operating officer of CAE ELECTRONICS, the Montreal-based commercial and military flight simulator maker, and the higgest subsidiary of Toronto-based CAE, a diversified aerospace and industrial products group. Cherry joins from Bombardier, where he was a president of the amphibious aircraft division.

■ David Murray becomes

operating officer of TVX

GOLD, the Canadian gold

president and chief

mining company. He was previously president and chief executive of RTZ Mineracao, the Brazilian subsidiary of RTZ. Clifford Davis joins as senior vice-president, North American operations; Kenneth Sangster becomes senior vice-president European operations. Alan Bernstein becomes president, North American operations, at WACKENHUT CORPORATION.

■ Charles Fisher becomes vice-president, marketing and sales, at LEAR CORPORATION. ■ Daniel Colson has joined the board of SOUTHAM, a

Canadian information company. He is deputy chairman and chief executive of The Telegraph Group, deputy chairman of John Fairfax Holdings in Australia and a director of Hollinger and Hollinger International. Peter Meredith has been

appointed chief financial officer of CARSON GOLD, Canada's diamond miner, to be renamed DIAMONDWORKS. ■ Leslye Katz has been named treasurer of COGNIZANT, which is due

to be spun off from Dun &

■ Joel Feldschuh, a retired

Bradstreet in November.

Israeli Air Force, replaces Rafi Harley as president of EL AL ISRAEL AIRLINES. James Ahrahamson has resigned as a director of ORACLE, the software company, to focus on his investment banking firm. ■ Douglas Ziemer has been named president of CARLSON WAGONLIT TRAVEL-AMERICAS. Ziemer, formerly executive vice-president, administration at Carlson Companies, has served on the company's executive committee, and has been responsible for its government and military division, in addition to the

hrigadier general in the

company's largest single account, General Electric. Brian Beazer, former chairman and chief executive of BEAZER, has been appointed to the board of US Industries, the conglomerate spun-off from Hanson last year. Jaffar Hussein, Malaysia's former central bank

governor, has been

appointed chairman of MALAYSIAN MINING. ■ James Ricketts has been appointed vice president and chief executive of FEDERAL-MOGUL worldwide treasurer of INGRAM MICRO, the US computer and distribution company. He joins from

Sundstrand Corporation. Kenneth Oshman, president, chairman and chief executive of Echelon Corporation, has joined the board of KNIGHT-RIDDER. ■ Wayne Chumley, most recently CHRYSLER's service manager for the Pacific sales group, has been appointed president of Chrysler Korea Sales, a new wholly-owned import and

Russ Magarity has been appointed managing director for the Asia region for BANKBOSTON. He joins the company after 22 years with Chase Manhattan, most recently as managing director of Chase Asia. Jean Le Chartier de

distribution subsidiary.

Sedouy has been appointed vice-president, sales, at COLGATE PALMOLIVE France, succeeding Franck Moison who moved to Italy in June.

Karl von der Heyden has resigned from the hoard of CADBURY SCHWEPPES. foilowing his appointment as chief financial officer of Pepsico. ■ Dennis Gormley is

resigning as chairman and CORPORATION, the vehicle narts manufacturer, Robert Miller takes over as

chairman of the executive committee and acting chief executive. MICRO FOCUS, the US software group, has

appointed Chris Christides as vice-president of North American sales. He will report to Marcelo Gumucio. chief executive. ■ Lucy Shapiro of Stanford University, a leading molecular geneticist, has joined the hoard of SMITHKLINE BEECHAM as a non-executive director. ■ WITCO CORPORATION, the manufacturer of specialty chemicals, has named John Bondur and Dunstan McCoy senior vice-presidents. Bondur will have responsibility for human resources and McCov will act as general counsel and corporate secretary. ■ James Duncan becomes vice-president and general manager, industrial packaging division, at JEFFERSON SMURFIT CORPORATION. He replaces

Patrick Moore, who takes over as chief financial officer. Gary West has been appointed vice-president and general manager, container division, replacing Edward McCallum, who is retiring. ■ PITNEY BOWES has appointed Henry Ho its first vice-president of Asian

operations. ■ Marc Gustafson is to head VOLVO's truck operations

in North America. ■ Colin Hermon, formerly director of Jardine Fleming Securities, Hong Kong, has been appointed senior vice-president at IVANHOE CAPITAL.

■ Michael Montgomery has been appointed president and chief operating officer of SEGA GAME WORKS. He joins from DreamWorks. ■ VALMET, the Finnish paper machinery manufacturer, has appointed vice-chairman Teuvo Kinnunen as acting supervisory board chairman after the death of Pontti Maeki-Hakola.

Johan Erbe, chairman of the supervisory board of ING, the Dutch banking and insuraoce group, has died at the age of 69. Erbe took over as chairman from Jan Chouser in May.

International appointments

Please fax information on new appointments and retirements to -44 171 878 3926, marked for International People. Set fax to fine'.

INTERNATIONAL CAPITAL MARKETS

Treasuries slip on new home sales

GOVERNMENT BONDS

By Lisa Bransten in New York and Samer Iskandar in London

US Traasuries suffared yastarday from renawed fears of a pick-up in inflationary pressures. In Europe, a quiet session allowed market participants to recover from the excitement of last week's bull run in tha peripheral markets, while UK gilts continued gradually

to outperform bunds. "Large overseas funds want to get in on the convergence trade, but not at these levels. It looks as if someone is pushing down prices [of Spanish and Italian bond futures)," one trader said.

the wake of a report showing increases in wholesale prices and new home sales.

Bonds were mostly higher before tha Commerce Department said new home sales had jumped 4.7 per cent in August despite tha increase in interest rates in the early part of this year. Most economists had expected 6. 0.4 per cent decline.

The market was also troubled by an increase in the prices paid component of the Chicago Association of Pur-chasing Management's survey of business activity.

The index rose to 59.3 per cent in September from 51.8 per cent in August, which many analysts interpreted as Friday.

■ US Treaeury pricee a sign that wholesale prices slipped in early trading in may have increased nationally. The National Association of Purchasing Management's report is due at benchmark bond was up midday today.

By midday yesterday, the benchmark 30-year Treasury was % lower at 97% to yield 6.918 per cent, while the twoyear note weakened by 1 to 99%, yielding 6.084 per cent. The December 30-year bond future was 4 lower at 109%.

Bonds did derive some support yesterday from a strengthening of the dollar against the yen and the D-Mark. In early trading the US currency was changing bands at Y111.60 and DM1.5262, compared with Y110.82 and DM1.5240 late on

its model portfolios, from ■ UK gilts had a quiet session but managed to outper-"neutral" to "overweight". form bunds for the third conand predicts a spread tightening over bunds to around secutive day. The 10-year 125 basis points over the 급 at 96꾋, its yield spread next 12 months. ovar the equivalent bund

■ The Spanish and Italian narrowing 2 basis points to markets relinquished part of The market found some last week's sharp gains, with support in a speech by Mr 10-year yield spreads over Gordon Brown, the Labour bunds widening 7 and 2 basis points, respectively, to party's finance spokesman, 184 and 251 points. However, at the party conference, who pledged "iron discipline in Swedish bonds continued to our approach to public spending" should Labour outperform.

"We continue to be big bulls on [European] conver-gence", analysts at Bear "Gilts are finally catching up with the rest of Europe". Stearns said. "Short-term, a trader at BZW said. "This though, it looks like the market is going to be a lot less tightening [of the 10-year eteamy over the next few BZW has upgraded gilts in days.'

Bulgarian banks 'vulnerable to default?

By Samer Iskandar

The credit standing on the long-term obligations of some Bulgarian banks is just one notch sway from default, according to Moody's, the US credit rat-

ing agency.

Moody's assigned a Caa rating, reflecting vulnerability to default, to long-term deposits denominated in foreign currencies at the banks. This is one notch higher than the Ca rating which Moody's assigns to borrowers that are bankrupt or unable to meet their financial obligations.

A foreign currency sover-eign ceiling of B3 was also assigned to Bulgaria, affecting some \$5bn of existing bonds. Short-term debt by **Bulgarian-domiciled** issuers was rated "not prime".

The ratings reflect the difficulties Bulgaria is currently facing in meeting its foreign currency obliga-tions, as well as the slow pace of enterprise restructuring which has been hindering macroeconomic stabi-

lisation," Moody's said.

It added that the country was currently dependent on credit from multilateral agencies to meet its external debt service payments -

estimated at \$1.2bm in 1997. The only way to prevent 6. default, according to Moody's, is for Bulgaria to adhere "to the stringent structural reform measures required by the multilateral lenders", such as the World Bank and the IMF. Access to new sources of financing will be determined by the speed and success of the nec-

The ratings also reflect Bulgaria's suspension of interest payments on its foreign debt in 1990,

essary reforms.

CAPITAL MARKETS NEWS DIGEST

Rail Link issue well received

A bond issued to finance railway development under the UK government's private finance initiative has been snapped up by investors and rose in price in secondary-market trading yesterday.

The £165m issue, for City Greenwich Lewisham Rail Link, is only the second under the PFI and the first to be launched without a third-party guarantee. Launched on Friday at a yield spread of 130 basis points over the 2017 gilt, the paper was bid at a yield spread of 124 basis points over and offered at 120 points in late trading.

Most of the issue was bought by a UK pension funds and insurance companies, according to BZW, which lead-managed the issue. "We chose to do this without an enhancement," Ms Sue Dale, assistant director at BZW Capital Markets, said. "It is quicker and investors would rather receive the yield."

The CGLR deal matures in 2020 but the paper amortises from year nine and has an average life of 16.2 years. The bonds have a single-A ratings from Duff and Phelps, the rating agency.

When RMC launched the first PFI bond in March, a

165m 25-year issue priced at 80 basis points over gilts, it paid Ambac, the US insurer, to guarantee principal and coupon repayments. The paper was rated triple A by both Moody's and Standard & Poor's, the credit rating

More short-term gilts planned

The Bank of England's funding plan for the fourth quarter is likely to be skewed towards issuance of short-term debt - an estimated £4.5bn, against £1.5bn of longer dated gilts. Two auctions, on October 22 and 24, will see the re-opening of existing stock in the 5 to 7-year area of the yield curve and 18 to 20-year area, respectively, while a new 5 to 7-year gilt will be issued on

First from Cedel Bank

Cedel Bank, the Luxembourg-based international depositary, has launched a service offering real-time book entry management of collateral exchanged in derivatives transactions. The bank said the service was the "first ever". Labelled Global Credit Support Service, inaugural customers include Bank of America, Banque Paribas, Salomon Brothers and Dresdner Bank.

"At a time when collateralisation as a means of controlling credit exposures is steadily rising, GCSS establishes a new standard for the management of credit support assets to minimise the risk in the trading of derivatives." Cedel said.

It pointed to the growing use of collateralisation as financial institutions respond to the European Union's Capital Adequacy Directive and Basle committee guidelines. The service claims to offer customers the opportunity to maximise asset efficiency and reduce collateral funding costs. Richard Lapper

ELECTION FATTE

City of Yokohama oversubscribed

INTERNATIONAL BONDS

lift league-table rankings

were eeen. It was a quiet

government guarantee

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

02/05 12/00 12/06 10/08 07/06 08/26 04/06

6.000 6.000 7.500 6.000 7.000 6.750 7.000

BOND FUTURES AND OPTIONS

MINOTIONAL FRENCH BOND FUTURES (MATIF) FF(500,000

124.82 -0.02 124.66 -0.02 123.80 -0.02

US INTEREST RATES

124.68 123.62

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By Conner Middelmann

A \$200m issue of 10-year bonds from the Japanese City of Yokohama, priced to yield 27 basis points over them central banks. Treacuries, was the highlight of the eurobond market yesterday. According to an official at the lead manager, the offering was heavily oversubscribed and allotments had been scaled back. Although it was the last day of the third quarter, no last-minute transactions to

day, with many London syndicate managers at the International Monetary Fund meeting in Washington. value to be had" Pricing of the Yokohama bonds - which were issued via Bank of Tokyo-Mitsubishi - was considered attractive by most market observ-

According to the syndicate official, some 60 per cent of the offering went to institutional investors in the UK and continental Europe, and between 25 per cent and 30 per cent to non-Japanese Asian accounts - many of

Elsewbere in the dollar sector, two French financial institutions issued eubordinated, floating-rate perpetual bonds. Investora had been reluctant to buy French bank securities in light of the problems the sector has experienced, but a syndicate official said yesterday that investors were "feeling increasingly bullish about French banks - the sector'e been oversold and there is

Société Générale launched \$220m of notes priced to yield 66 basis points over Libor at the re-offer price, which is where the notes ers, in view of the paper's were bid at the close of the

 Coupon
 Date
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 change
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 6.750
 11/06
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 -0.380
 7.93
 7.96

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 05/06
 105.8500
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 6.05
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-15/32 -21/32 -0.160

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|---|--|---------------------------------------|---------------------------------------|--|--|---|--|
| E US DOLLARS | a | | A | - | | | |
| Societe Generale(s): City of Yokohama | 220 200 | (a1) 7.00 | 99.74R 99.66R | perpetual Oct 2006 | 0.75R 0.33R | - | Morgen Stanley Intil BOT-Mitaublehi Intil |
| Compagnie Financiere(b): | 70 | (61) | | perpetual | 0.73R | TANKEL | SSC Warburg |
| World Bank(c)+ | 50bn 10bn | 5.00 0.125 | 98.538 | Oct 1999 | 0.188 | - | Dalwa Europe |
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| Bil. Tranche 8* | 5bn | 1.60 | 100.35 | Oct 2006 | 0.35 | | Yamaichi Intt/Europei |
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| Stationalit F/S of Oslo | 1.5bn | 6.25 | 98.892R | Oct 2008 | 0.388 | 19(8)4%-06) | BNP |
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| Final terms, non-caffable unles kUnlisted. §Convertible. ‡ Float ind each payment date thereaf (8/10/01 and 16/10/06, b1) 3-4 ademption in US dollars at an | ding-rate : iter. a1) 3- mth Libor | note, R; fi l-mth Libo r +70bp. | txed re-off x +62.5bp. Steps up | er price; fee Step up ye to 145bp or | es shown far 10 ar rs 16/10/ | at re-offer levind upwards at: 101, 220bp on | el. a) Par call from 15/10 200hp. b) Callable at par 16/10/08.c) Coupon in y |

win the general election.

spread) was long overdue."

172 points.

The offering is the secondlargest to date in the dollar subordinated FRN eector. and only the eecond deal with 6 step-up after 10 years. an official at lead manager

Morgan Stanley said. He added that the paper saw strong demand from continental European and UK fund managers, banks and retail funds as well as some Asian banks. "A bank like Société Générale offers significant yield for little incremental risk," he said.

Cie Financière de CIC iesued \$70m of perpetual floaters paying a coupon of 70 basis points over Libor, which steps up to 145 basis points after five years and to 220 basis points after 10

According to a syndicate official at lead manager SBC Warburg, the issue went well, with some \$55m of the notes placed with clients who had expressed demand for the paper ahead of launch.

- PUTS

1,39 1,72 2,10

109-13 330,339 380,611 109-05 300 20,151 108-22 216 5,338

Exit val Open Int.

borrowing plans in the dollar sector. While many dealers still expect a \$750m issue of either five-year or 10-year global bonds, there has also

been talk of 6. Yankee offer-

Meanwhile, market specu-

lation is rife about Brazil's

ing of the same size. With Argentina expected to launch 6. large 10-year dollar global soon, some said Brazil might opt for the fiveyear maturity to avoid clashing with Argentina.

| Striker | - | CA | U.S | | | |
|-----------------|--------------------------|--------------------------|-----------------|-------|---------------------|----|
| Price | Nov | Dec | Jer | Mer | Nov | |
| 1850 | 0.55 | 0.82 | 1.55 0 | .86 | 0.39 | - |
| 9900 | 0.30 | 0.56 | 1.30 | .67 | 0.64 | |
| 9950 | 0.14 | 0.37 | 1.26 0 | 1.51 | 0.66 | |
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| Price | | Dec | Mar | | Dec | | Mar |
| 12100 | 1 | .69 | 1.67 | | 1.20 | | 2.24 |
| 12150 | 1 | .37 | 1.74 | | 1.38 | | 2.51 |
| 12200 | 1 | .16 | 1.51 | | 1.67 | | 2.78 |
| Est vol to | stal, Calls 47 | 12 Puts 537 | 1. Previous | day's open | Int., Calle | 93895 Puts | 126356 |
| Spain | | | | | | | |
| NOTIC | | NISH BONI | | .,, | | | |
| | Open | Satt price | Change | High | Low | | Open int. |
| | | | | .,, | | Est. vol. 69,552 | Open int. 61,107 |
| Dec UK | Open 106.75 | Satt price | Change 0.58 | High 106.83 | Low 106.14 | 69,562 | |
| Dec UK | Open 106.75 | Sett price 106.24 | Change -0.58 | High 106.83 | Low 106.14 | 69,552 f 100% | |

| Strike | | C | ALLS | | | | PUTS - | |
|------------|---------|-----------------------|-----------|-------|------------|--------------|-----------|-----------|
| Price | Nov | Dec | Jan | Mer | Nov | Dec | Jan | Mar |
| 106 | 1-04 | 1-25 | 1-13 1 | -47 | 0-30 | 0-51 | 1-31 | 2-01 |
| 109 | 0-33 | 0-55 | 0-51 1 | -16 | 0-59 | 1-17 | 2-05 | 2-36 |
| 110 | 0-13 | 0-32 | 0-32 0 | -60 | 1-39 | 1-58 | 2.50 | 3-14 |
| | | | | | | | | 6666 |
| | BOND FU | rures (M | ATIF) ECU | 00,00 | 5 _ | | | |
| Ecu ecu | | TURES (M Sett prio | | | | Low | Est. vol. | Open Int. |
| | BOND FU | | | | gh | Low 93.34 | Est. vol. | |

NOTIONAL LONG TERM JAPANESE GOVT. BONO FUTURES (LIFFE) Y100m 100ths of 100%

| Strike | | - CALLS - | | | - PUTS - | |
|--------|------|-----------|------|------|----------|------|
| Price | Nov | Dec | Mar | Nov | Dec | Mer |
| 121 | 3.84 | 3.88 | 4.02 | 0.02 | 0.07 | 0.41 |
| 122 | 2.67 | 2.06 | 5.20 | 0.04 | 0.14 | 0.58 |
| 123 | 1.93 | 2.09 | 2.48 | 0.11 | 0.28 | 0.84 |
| 124 | 1.10 | 1.34 | 1.84 | 0.27 | 0.53 | 1.16 |
| 125 | 0.46 | 0.78 | 1.29 | 0.66 | 0.88 | 1.63 |

124.74 124.62 123.56

| m NOT | IONAL GER | MAN BUNK | FUTURE | S (LIFFE) | DM250,0 | 000 100ths | of 100% |
|-------|-----------|------------|--------|-----------|---------|------------|----------|
| | Ореп | Sett price | Change | High | Low | Est. vol | Open Int |
| Dec | 98.71 | 98.66 | -0.08 | 98.80 | 98.62 | 89467 | 243325 |
| Mar | 97.70 | 97.66 | -0.08 | 97.71 | 97.70 | 250 | 3944 |

124.90 124.72 123.82

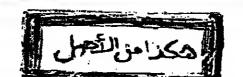
| | | *** | | | | | | | | | | | | | | TO PIECE | os cay. | | _ |
|---|--|--|--|--------|--|---|---|--|--|--|--------------|---|--|--|--|---|--|--|--|
| IK GILTS | PHIL | ES | _ | - | - | | | | | _ | _ | | - | | | | _ | | - |
| Motes | FE | Vield Red | Price £ | + OT - | _ (12 t High | week_ | Hote | int. | leid Red | 2 sorr | + or = | _ 52 v High | reak _ Low | Notes | (I) | leki (2) Price s | + or - | _ 52 c | reek _ Low |
| to" (Lines up to Five ension (Opc 1996 s s 3/4-pc 1997+† 101-pc 1997+† 101-pc 1997+† 15pc 1997+† 15pc 1997 s 6'4-pc 1997+† 6'4-pc 1998-† 6'4-pc 1998-† 15'2-pc 1998-† 15'2-pc 1998-† | 9.96 12.94 19.32 8.93 8.54 13.74 9.33 7.15 6.75 13.27 | 5.89 6.38 8.45 | 101 (1) 100 (1 | | 1034 1084 1012 1014 1015 1015 1024 1024 1044 1024 | 100 & | Trees 8pc 2002-611 | 7.73 7.85 9.67 8.06 6.23 7.90 7.87 8.24 | 7.66 7.69 7.69 7.42 7.74 7.78 7.84 7.84 7.92 | 68社 100点 101頁章 121号 105社 105社 1014。 84号 108点 | ** ** | 1034 1044 1253 1083 1121 1121 1844 883 | 9483 9674 9774 11853 10154 105 9634 6134 1045 ₅ | 45 pc '98‡‡ (135.5) 21 pc '01 (78.3) 21 pc '03 (78.8) 43 pc '04‡‡ (135.8) 21 pc '06 (78.6) 21 pc '06 (78.6) | 0.42 2.72 3.00 3.04 3.17 3.36 3.41 3.46 3.51 3.51 | 2.16 113 3.28 183 3.42 178 3.42 1173 3.47 188 3.56 174 3.80 1 3.80 145 3.80 145 3.80 145 3.80 145 3.80 145 3.80 145 | and the state of t | 117 188 18 168 168 174 144 153 2 146 146 1 | 111 Å 1742 170 Å 173 101 Å 186 Å 135 Å 145 Å 115 Å |
| 8 91-pc 19861; s 61-pc 19861; s 71-pc 1989 | 8.94 10.85 9.81 0.10 8.35 8.44 10.84 12.57 7.71 8.01 | 6.56 6.62 6.50 6.77 6.81 6.92 6.93 6.93 | 1084 993 1127 1094 803 1093 1063 1113 1034 1034 | **** | 108.2 10013 11823 11243 11243 11243 1174 1057 114 | 997 1108 108 108 108 108 119 119 111 101 109 109 109 | Over Filtens Years Truss Spc 2012‡‡ Truss Spc 2012‡‡ Truss Spc 2012‡‡ Truss Spc 2012±‡ Truss Spc 2017‡‡ Truss Spc 2017‡‡ Each 12pc 20174‡ | 8.24 6.80 8.00 7.53 - 8.18 8.79 | 7.95 7.73 7.99 8.03 8.00 8.04 7.98 | 1062 7913 1002 973 1003 1063 1364 | | 10322 | 10433 75% 9% 9% 9% 95% 160% 130% | Prospective real rader 10% and (2) 5%, (5) Fi Industry fo 6 months; reflect rebasing of RP factor 3,945. RPI for Ja 153.1. Other Fixed in light | gures in rior to i i to 100 nuary 11 | parenthee seue) and i) in Febru 1966: 150.2 | es show neve bee sry 1867 | RPI be Conv | of (1) se for ted to ersion 1998: |

| c 200011 lg Rain 2001 | 7.71 | 6.93 | 103 ¹ , 994 | 4 | | 997, | Trees 8pt 2012-15## | 7.98 | 8.03 8.00 | 97强 100 <u>表</u> | -≱ | 101頁 104곱 | 95 <u>11</u> | Other Fixed L | ntero | st | | | |
|---|----------------------|----------------------|------------------------------|-------------|---------------------------|--------------------------------|--|--------------------|--------------|----------------------------|--------------|-------------------------------|--------------|---|----------------------|---------------|--|--------------------------------------|--|
| Opc 2001 | 8,01 | 7.04 | 11023 | _ | 114 | 109/ | Trees 84:pc 2017## | 8.19 8.79 | 8.04 7.98 | 106弘 136弘 | | 111동 141립 | 102½ 130% | Notes | ñì Y | leid | Price £ + or | _ 52 t | rtek _ Low |
| | | | | | | | Tream Spc 2021## | 30.02 | 8.00 | 99提 | | | 9537 | Asian Der 1044pc 2009 | 8.73 | £10 | 1172. | 120 | |
| Filless Years ac 2001 ## , | 7.03 | 7.08 | 2915 | | 101& | 9583 | | | | | | | | 6Tepen 111/2pc 2012 | 9.31 8.04 8.85 | 2.80 | 123½ 105¼ 104 | _ 128 _ 105}; | 1791 ₂ 1031 ₂ |
| Lpc 2002 pc 2003 | 8.73 7.72 | 7.27 7.30 | 111 [3 1035 ₂ | | 1145 10523 | 1087 <u>.</u> 99 <u>1</u> 3 | | | | | | | | 13pc '97-2 | 11.72 8.94 | IT85 | 110% _ | 1044, 111 1523. | 104 1101 ₂ 14213 |
| Ope 2003 | 9.89 | 7.38 7.17 | 1144 | | 1217 | 39 1142 | Comola 4pc | 8.18 8.07 | - | 4533 4343 | -13 -3° | 50년 452 | 46% 413 | Leeds 13 ¹ 20c 2006 Liverpool 3 ¹ 20c lead | 10.18 9.27 | | 325 ₉ 56 _ 3856 _ | _ 136 ¹ 2 _ 41 | 120 33 |
| 3½96 1999-4 100 9½96 2004 100 2004±± | 4.24 8.50 7.07 | 6.37 7.52 7.50 | 82 <u>15</u> 1114 85,2 | 쓛 | 8333 1147 987 | | Com 312pc '61 ML | 1.78 | - | 60 <u>13</u> 11 | -2 | 624 | 584 | LCC 3pt '20 AR | 8.96 9.54 3.82 | 8.601 7.10 | 39 ⁷ 2 _ 120 ¹ 2xi _ 78 ¹ 2 | _ 35 _ 1242 _ 781 ₂ | 274 117 704 |
| l _{2 pc} 2005 2l ₂ pc 2003-6 | 6.50 9.79 | 7.59 7.42 | 11111 12741 | +4 | 114 <u>2</u> 1315 | 108 123{1 | Compts 2120c | 6.32 7.95 | - | 3/개의 267학 | ~å, -31 | 38 <u>4</u> 32 <u>4</u> 5 | 28°¢ | N'edde Anglie 37;pc 2021 . 41;pe IL 2024 | - | 4.35 | 1404 | 1424. 1424. 1405. | 133 1301 ₂ |
| lgge 2006## o' stock, ±t Yaw- | 8.0S Crans to | 7.60 non-n | 105 % Seldents | 5++ anou | 108 <u>ji</u> Dolicati | _ | Trees. 2 ¹ ger Auction basis, xcl Ex cfb | 0.12 Actornatio | | 30 <u>33</u> 6 : mkl-cr | Ā nices a | 32 ₁ 1. ne shor | | | 12.22 al of sta | - | 135 | 1 35 3 ₂ | 120 |

| | ice Indices C Gitti | Mon Sep 30 | Day's change % | Fri Sep 27 | Accrued interest | ad edj. | | | | | | Sep 27 | | | | |
|------|--|------------------|-------------------|------------------|------------------|--------------|------------------|--------------|--------------|--------------|------------|------------|----------|---------|------|--------|
| ī | Up to 6 years (22) | 121,46 | 0.08 | 121.41 | 1.96 | 7,89 | 5 yrs | 7.06 | 7.06 | 7.78 | 7.12 | 7.14 | 7.78 | 7.19 | 7.19 | 7.78 |
| 2 | 5-15 years (19) | 149.96 | 0.24 | 149,59 | 3.31 | 7.61 | 15 yrs | 7.95 | 7.93 | 8.22 | 7.92 | 7.92 | 8.27 | 7.95 | 7.92 | B.35 |
| 4 | Over 15 years (8) Irredeemables (6) | 163.61 188.12 | -1.13 | 163.57 190.26 | 2.64 3.43 | 9.83 8.83 | 20 yrs kred.† | 6.07 6.09 | 8,03 6.00 | 8.24 8.32 | 6.01 | 8.01 | 8.29 | 8.04 | 6.00 | 6.37 |
| 9 | All stocks (55) | 143.64 | 0.13 | 143.46 | 2.72 | e 20 | | see In | fiction 5 | 94 | | some Marif | ation 10 | MC | | |
| lane | lex-linkoct | | | | | | | | 0 Sep 2 | | | | | Yr, ago | | |
| 6 | Up to 5 years (2) | 201.61 | 0.06 | 201,50 | 0.86 | 4,43 | Up to 5 yrs | 2.84 | 2.85 | 3.11 | | 2.16 | 2.19 | 2.00 | | |
| | Over 5 years (10) All stocks (12) | 192.73 192.62 | 0.29 0.27 | 192.16 192.10 | 1.47 | 3.65 | Over 5 yrs | 3.49 | 3.51 | 3.68 | | 3.29 | 3.31 | 3.50 | | |
| Ave | rage gross redemption | ylektis are el | nown above. C | Coupon Band | te: Low: 0%- | 7%%; Med | lum: 8%-10%9 | 16: #ligh: 1 | 1% and c | wer. † Fla | t yeekt. y | d Year to | date. | | | |
| F | Fixed Interes | t Indice | s | | | | Gilt | Edge | d Actin | vity Inc | dices | | | | | |
| | Sep | 28 Sep 27 | Sep 26 Sep | 25 Sep 2 | 4 Yrago I | ligh" Lo | | | | Sep | | Sep 26 | Sep 25 | Sep. | 24 | Sep 23 |
| | vt Secs. (UK) 93. | | | 28 83.31 | | 6.34 91 | | idged be | | 107 | .6 | 108.3 | 131.1 | 91 | _ | 67.2 |
| | red interest 113.9 TSE International Ltd 19 | 91 113.88 | 113.50 113 | 26 113.13 | 111.52 11 | 5.23 110 | .74 5-day | averag | • | 105 | .1 | 102.2 | 99.8 | 93. | 4 | 94.8 |

| | FT/ISMA INTERNAT | TON | AL E | 301 | ID S | SERVICE | | | | | | | | |
|----|---|--------------------|--|-----------------|--------------|--|--------------------|--|------------------------|--------------|---|--------------------|------------------------------------|----------------|
| L | | | | | | lequate secondary market. Latest pric | | | | | nber 30 | | | |
| - | Asqued | Bld | Offer | Chg | Yleki | lawed | | | Chg | Yleki | teaued | | Offer C | thg Yk |
| | LS. DOLLAR STRAIGHTS Libbey Ned Treesury 6 ¹ 2 03 1000 | OS. | ogl. | 4 | 6.88 | Sweden 697 2500 United Kingdom 71g 97 5500 | 104% | | | 3.39 | | 10112 | 10134 | 7 |
| | BN Amro Bank 74, 00 1000 | | 1004 | ٦, | | Volsawagen Intl Fin 7 03 1000 | 10512 | 104 105% | al- | 3.28 5.97 | Department 63, CO C | | 933 | - F 8 |
| A | árican Dev Bk 73 23 500 | 96 ¹ 2 | 97 | يرد. | 7.68 | Volkswagen Intl Fin 7 03 1000 World Bank 0 15 2000 | 35 | 355 | | | Depta Finance 71/8 03 £ 500 | 96% | 100½ 97 | و . با |
| | berta Province 75 98 1000 | | 1025 | | | World Bank 5% 00 3000 | 1014 | 101% | -1 | 5.65 | HB 6 UJ E 1000 | 1025- | 102% | . 7 |
| 2 | stan Dev Bank 6 ¹ 4, 00 | 951 ₂ | 953 | | 7.05 6.58 | SWISS FRANC STRAIGHTS | | | | | Glavo Welcome 84, 05 £ 500 | 1035 | 10378 | 8 |
| E | aden-Wuertz L-Fin 8 ¹ s 00 1000 | 104 | 10412 | -48 | 6.64 | Asian Dev Bank 0 16 500 | 37% | 3014 | | 5.14 | Harrson 10 ³ a 97 £ 500 H3BC Holdings 11.69 02 £ 153 | 1034 | 104 | 6 |
| | ancomest 74 04 1000 | 85% | 66 4 | | | Austria 412 00 1000 | 100 | | | 261 | Rely 1012 14 E | 116% | 117 1174 | |
| | ank Ned Gemeenten 7 99 1000 | 101 ¹ 2 | 1013 | | 6.88 | Council Europe 434 98 250 | 10312 | 1033, | | 214 | SADAN DAY BK / UU Y | 1001- | 10012 | 6 |
| E | ayer Vereinstok 8 ¹ e 00 500 algium 5 ¹ 2 00 1000 | 357° | 923 | | 6.84 | Denmark 414 99 1000 | 1034 | 1054 1034 | .1. | 241 2.13 | Land Secs 612 07 E 200 | 10812 | 10834 | .8 |
| 8 | ritish Columbia 7% 02 500 | 1044 | 10412 | 1 | 6.84 | EBS 6% 04 300 | 114 | 115 | -6 | 4.57 | Ontario 111 01 £ 100 | 1134 | 1135g 1051g | 7. |
| B | Hish Gas 0 21 1500 errada 63 00 1500 | 1412 | 147 | | 8.00 | Figure 71, 99 300 | 1123 | 1123 | | 291 | Powergen 87 03 £ 250 Severn Trent 11 ¹ 2 99 £ 150 | 110% | 111 | . 7 |
| č | heung Kong Fin 5 ¹ 2 98 500 | 99 96% | 96 ¹ e | | 7.11 7.23 | lociand 75g 00 100 Inter Amer Dev 43g 02 600 Onterio 61g 03 400 | 11412 | 114% | | 351 | TORYO EIBC POWER 17 (1) 9 | 1125 | 1135 | 7. |
| č | hna 61 ₂ 04 1000 | 944 | 945 | | 7.67 | Ortano 64 03 | 1125 | 1054 | 4 | 3.87 3.95 | TCNZ Fin 9 ¹ , 02 NZ\$ 75 World Bank 9 99 NZ\$ 250 | 104 | | +4 8 |
| С | recit Foncer 91, 99 300 | | 1095 | | 6.56 | Quebac Hydro 5 08 100 | 1013- | 10212 | -3, | 4.82 | CARCAL LOCAL & DT FET SOOD | 4000 | 10214 | |
| 2 | ermark 5%, 98 1000 | 993 | 9958 | | 6.20 | SNCF 7 04 450 Sweden 44, 03 500 | 1794 | 12012 | +14 | 4.06 | Denmark 5th GH FEr 2000 | 4005 | 102% 102% | - 4 |
| Ē | ast Japan Rollway 65g 04 600 IB 6 04 500 | 974 954 | 971 ₂ 961 ₂ | 12 | 7.10 6.74 | World Bank 0 21 700 | 1054 | 105°s 28% | 4 | 3.88 | Bec de France 84, 22 FFr 3000 | 1214 | | 6 |
| Ē | B 94, 97 1000 | | 103% | -2 | 5.80 | World Bank 7 01 600 | 115% | 1154 | | 5.21 3.27 | ROATING RATE NOTES | | _ | |
| ž | ec de France 9 99 200 | 103% | 1087 | | 5.27 | OF REAL PROPERTY. | | | | U | Issued | Bld | Other | Cc |
| E | x-Im Bank Japan 8 02 500 | 105 ¹ a | 105% | 넄 | 6.81 | YEN STRAIGHTS Belgium 5 99 | 1 | | | | | | | _ |
| Ē | sport Dev Corp 912 98 150 | 507 | 1053 ₈ 565 ₈ | 3 | 6.35 6.91 | Delglum 5 89 75000 Credit Foncier 4 02 75000 | 1104 111L | 111 1111 ₂ | ıl- | 1.54 265 | Abbey Neil Treesury -12 99 1000 Bankamerica 12 99 750 | 99.92 | 100.01 100.08 | 5.59 5.75 |
| F | ocon Capital 0 04 1500 ad Home Loan 7 ¹ g 99 1500 | 1017 | 102 | 4 | 8.48 | EB 5 00 100000 | 1164 | 117 | | 1.60 | Carrecta 1 99 2000 CCCE 0 05 Ecv 200 | 99.65 | 10000 | |
| R | ederai Nati Mort 7.40 04 1500 | 103 | | -3 ₀ | 7.01 | Ex-im Bank Japan 42 00 105000 | 110% | 1111 ₈ | 416 | 2.65 | CCCE 0 05 Eq | 29.60 | 99.74 | |
| H | ntend 8 ³ 4 97 3000 and Motor Credit 6 ³ 4 99 1500 | 100% | 100 ⁷ 2 100 ¹ 2 | | 6.15 6.34 | Inter Amer Dev 714 00 30000 | 118 ³ g | 1195 | 118 | 1.69 | Contimerable O/S Fin -1 98 750 Credit Lyonneis 1 00 300 | 99.81 | 99,68 | |
| G | eneral Mile () 13 1000 | 2422 | 25 | <u>ا</u> | 8.69 | Rely 3 ¹ 2 01 300000 Rely 5 04 200000 | 1154 | 105 ¹ 4 115 ³ 8 | 14 | 214 | Descriper Services A CO CILA Acom | 98.05 | 98,53 | |
| R | Finança 54 98 | 97% | 477 | -1- | 6.43 | Japan Dav Bk 5 99 100000 Japan Dav Bk 6 ¹ 2 01 120000 | 110% | | 1, | 1.44 | Fed Nat Mort -2 00 1000 | 99.71 | 100.10 | 3.37 5.09 |
| П | ter-Amer Dev 512 06 1000 | 9412 | 945 | -5 | 7.05 | Japan Dev Bk 612 01 | 121 | 121 4 | 44 | 2.02 | Finland -1 ₈ 99 1500 Helifax 88 0 99 500 | 99.93 | 99.49 | .5.46 |
| h | ter-Amer Dev 7 ¹ 2 00 500 Il Finance 5 ¹ 4 99 500 | 97% | 1023 ₄ 98 ¹ 8 | | 7.09 6.27 | SNCF 6 ³ 4 00 50000 Spain 5 ³ 4 02 125000 | 1157 | 1174 | | 1.63 | | 100.11 | 100.16 | 5.65 |
| b | sty 6 03 2000 | 95% | 9512 | 4 | 6.98 | Sweden 45, 98 150000 | 1051- | 1174. 1054 | +15 | 2.31 0.78 | haty 1 99 1500 | 100,43 | 100.52 | 5.78 - 5.68 |
| Ŀ | sky 57 ₈ 23 3500 span Dev Sk 63 ₈ 01 500 | 201 | 914 | 4 | 7.84 | Sweden 4 ⁵ 8 98 150000 World Bank 5 ¹ 4 02 250000 | 115% | | ale. | 2.17 | haly 1: 99 1500 haly 1: 99 Ecu 1500 | 100.24 | 100.36 | |
| J | pan Dev Sk 8 ³ g 01 500 pres Bec Power 5 ³ g 03 1350 | 105% | 108 ¹ 2 95 ³ 2 | 7 | 6.76 | | | • | • | | LKB Badan-Wuset En .1. on | 99.92 | 98.89 | 5.47 |
| M | etsushita Elec 74 02 1000 | 95 102 | 1023 | 3 | 7.41 6.94 | OTHER STRAIGHTS Credit Foncier 7.80 (12 LFr 2000) | | | | | Lloyds Bank Perp & 0.10 600 Malaysia & 05 650 | 85.33 | 87.29 | 5.82 |
| 0 | nterfo 7½ 03 3000 | 1024 | 10212 | 4 | 7.05 | 88 74 00 LFr | 105 | 100 | | 6.37 | New Zeeland -1 ₈ 99 1000 | 99.82 | 99.97 | 5.58 5.44 |
| ŏ | ater Kontrollbank 9½ 01 200 | 1063 | 108% | | 8.77 | World Bank Big 04 LFr 2000 | 110 ¹ 2 | 11112 | | 6.43 | New Zealand -1 ₈ 99 1000 Novo Scotla & 99 500 | 98.97 | 100.00 | 5,72 |
| 2 | artugal 5% 03 | 93¾ 105¾ | 94 106 | | 7.01 8.56 | AEN ATTO 578 00 FT 1000 | 10814 | 10312 | | 4.65 | UH30 U39 2000 | 100.04 | 100,10 | 5.50 |
| ä | | 1035 | 103% | ٦, | 6.54 | | 1054 1114 | 105% 112% | | 4.11 5.92 | CLUBBEC History () 000 Prop | 100.25 | 100.51 | 3.44 |
| 3 | 45 10 88 200 | 1064 | 107 ¹ 8 | | 6.83 | British Columbia 7%, 03 C\$ 1250 | 100 | | +le | 6.92 | | 99.65 99.77 | 99.75 | 5.68 |
| S | NCF 9 ¹ 2 98 150 nain 6 ¹ 2 98 1500 recien 6 ¹ 2 03 2000 | 105 ¹ 8 | 1053 | | 6.36 | Carreda Mig & Heg 84 99 CS _ 1000 | | 108% | • | E | 30787 -3: (P YM | 100.08 | 100.15 | 3.34 |
| 2 | veden 6 ¹ 2 03 | 1004 | 100½ 98% | | 6,40 | | 1074 | 1073 | | 4.85 | | 100.01 | 100.11 | 5.84 |
| Te | rivesage Valley 5 00 1000 | 97% | | 7 | | Bec de France 8%, 98 C\$ 275 1 KW Int Fo 10 01 C\$ 400 1 | 1104 117L | 110lg 113lg | 14 14 | 5.85 | Sweden -1 _g 01 2000 United Kingdom -1 _g 01 2000 | 99.91 | 99,99 | 5.41 |
| Te | messee Valley 5 00 1000 messee Valley 63 05 2000 | 963 | 96 ⁵ 8 | | 7.05 | KW let Fin 10 01 C\$ 400 1 Nippon Tel Tel 104 99 C\$ 200 1 | 1115 | 112 | | 6.48 5.97 | 2000 | 99.78 | 99.80 | |
| т | MAG Elec Power 6% (3) 1000 | 98 ¹ 8 | 9612 | -12 | 6.85 | Ontario 9 03 C\$ 1500 1 | 10874 | 10612 | وثب | 6.91 | CONVERTIBLE BONDS | | | |
| ü | yota Motor 5% 98 1500 alad Kingdom 74 02 3000 | 1027 | 003 ₃ | 3 | 6.24 6.61 | | 112 | 1124 | | 5.56 | C | Offic. | | - |
| w | oft Dienery 8-k 01 1500 | 08]* | 983 | _3_ | | Oster Kontrollbank 10 ¹ 4, 99 CS 150 1 Ouebec Hydro 7 04 CS 1000 | 001 | 1113 <u>4</u> 98 | *** | 8.80 | | rice : | Bid Offe | r Pres |
| W | orld Bank 6% 00 1500 | 984 | 967 | -12 | 8.88 | Quebec Prov 1012 98 CS 200 | 1093 | 110 ¹ 2 | 448 | | Alled Lyons 84 08 2 200 | 604 9 | 71- D | 129.5 |
| W | orld Bank 8 ³ g 99 1600 | 106 ¹ e | 108% | <u> 1</u> 2 | 620 | Council Europe 9 01 Ezu 1100 | 114 | 1143 | | 444 | Gold (Cilonnella 71 a nn | | 34 112 | |
| _ | | | | | | Credit Funcier 8 2 04 Equ 1000 1 | | 111 | 4 | | | | | - 15 |
| Å | EUTSCHE MARK STRAIGHTS min 6 ² 2 24 2000 | 04 | 944 | | 8.88 | Denmark 8 ¹ 2 02 Ecu | 1125g | 113 | | 5.77 | Honson America 2.39 01 420 29.6 Hong Kong Lund 4.01 410 3 | | 63 ₈ - 87 | |
| B | cles-Wuertt L-Finance 6 98 . 2000 | 1044 | | ႕ | 4.23 | EC 600 Ecu 1100 1 BB 10 01 Ecu 1150 1 | 103°8 1173 | 103 ¹ 2 | -lg | | | | 5 ¹ 2 85 ¹ 4 | |
| O | edit Fonder 7 ¹ 4 03 | 1065 | 108% | - | 5.98 | Ferro del Stat 10% (RR Fra) | 106% | 1171 ₂ 1071 ₂ | H-8 | | | | 03 105 3カ 94カ | |
| n. | | 103 | | 4 | 3.65 | Besly 1034 00 Ecu 1000 1 | 1171 | 117% | | | Mari Dent of 2000 | 22 113 | 34 1134 | |
| ř | | 1025 | 1024 | يد | 591 | United Kingdom 8½ 01 Ecu 2750 | 114 | 17412 | | | | 32. 6 76 | 34 504 | +36.8 |
| í | | 107% 105% | 107% 106 | - | 8.01 4.61 | | 1063 | | | | TE 123 44 (5) | | 3 83 ⁴ 8 | |
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| H | tand 7 ¹ z 00 3000 · | 1084 | 109 | | 4.55 | NSW Treesury Zero () 20 AS 1000 | 143 | | + ¹ 4 -Ա | 0.00 | Sappi BVI Finence 71, no sen | | 1112 | |
| ų | y 7 ¹ 4 98 5000 · | | 104% | | 340 | RAIDON 73, 00 se | 99% | 295 | - | | | ਾਹ ਈ 94 ਾ∩ | 1층 92章 12 1042 | +6.4 |
| | | | 100% | -42 | H 54 | SCHOOL MICHIGAN FOR THE AREA OF A 4 | (5) | 106 ¹ | ᄺ | | Sumitarno Bank 3 ¹ g 04 300 360 | 16.9 83 | 2 B13 | 28.6 |
| | rway 6 ¹ s 98 1500 1 | 10314 | 1047 | | 365 | Sth Aust Govt Fin 6 02 AS 150 1 | | 105% | | | | | | - |
| | | | 1013 | | 0.00 | Uniover Australia 12 98 AS | ~~~ | 107 ¹ 8 | ~ | י ופגי | Transatientic Hidgs 51 ₂ 09 £ - 250 g No information avaliable - previous de the Control of | 3.9 109 5.05 83 | 7 100 Z | r15 |

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NEWS DIGEST

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CURRENCIES AND MONEY

US dollar hits two-year high against the yen

MARKETS REPORT By Richard Adams

The US dollar hit its highest level for more than two and a half years against the Japanese yen yesterday, after the pro-dollar message from at L997.5, from L998.7. the Washington meetings of the Group of Seven nations and the International Mone-

tary Fund. The dollar's intra-day high of Y111.660 during early trading in the US was its highest level since January 1994. In afternoon US trading.

the dollar challenged resistance around Y111.600. Analysts in London said a break to Y112.00 was possible. Sterling also gained against the yen, moving from Y173.276 we raight to

The G7 and IMF meeting in Washington was dominated by talks about European monetary union (Emu). The D-Mark continued its fall in value against the dollar and sterling. The dollar

ended at DM1.5253, up from week's close of Pta84.10. DM1.5243. Sterling rose to

DM2.3846, from DM2.3834. Emu convergence trades remained in vogue. The lira remained below the L1.000 level against the D-Mark. It rose again on the day to end

But yesterday's biggest gainer was the Swedish krona, another candidate for membership of Emu. It strengthened against the

D-Mark to SKr4.344, from are likely to remain SKr4.352. The krona also gained against the dollar. from SKr6.6307 at Friday's close, to SKr6.6240 yesterday.

The full details of the Spanish budget were released yesterday, but con-tained few surprises. The peseta was subdued, falling slightly to Pta84.15 against the D-Mark, against last

| Sep 30 | ····· Obstations | - Prev. close |
|--------|--------------------|---------------|
| £ mpor | 1.5840 | 1.5635 |
| 1 mith | 1.5834 | 7,5830 |
| 3 mth | 1.5630 | 1.5625 |
| 1 yr | 1.5610 | 1.5607 |

16,7993 18,7442 16,7443 2.2
49,1520 49,0200 48,9802 2.3
9,1693 9,1432 3,1424 1.8
7,1500 7,1080 7,1365 0,7
8,0823 8,0527 6,0549 2,1
2,3884 2,3609 2,3797 2,5
377,125 376,167

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■ The US dollar had no trouble punching through its 1996 high of Y111.19 yesterday, a key technical level. And it should have no difficulty keeping above it.

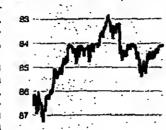
according to analysts. While US interest rates appear likely to rise within the next three to six mooths. the signals from the Japanese economy are that rates unchanged for some time.

Mr Eric Nickerson, Bank of America's vice-president for currency research in Hong Kong, said the dollar was rising now hecause it had the least "negatives" compared with the other G7 economies' currencies.

"People are asking themselves, what else am I going to huy?" Mr Nickerson said. The release of the Federal Reserve's FOMC August minutes late on Friday showed that the monetary policy committee was well aware of the market's con-

2.3 48.0202 2.1 2.7 2.6091 2.5 1.0 10.0555 1.1

Against the D-Mark (Pta per DM).



cerns over inflatioo.

Mr Gary Stern, president of the Minneapolis Fed. was again the only FOMC member who voted for a "modestly more restrictive" mooedehated whether a jobless rate around 5.4 per cent would lead to higher wages.

The message from Japan could not be more different. Mr Wataru Kubo, the Japanese finance minister, said

ensure the country's economic recovery.

And Mr Yasuo Matsushita, oor, said the receot fall in long-term Japanese interest rates may be reflecting changes in sectiment towards Japan's economy.

Japau's continuing economic lethargy was seen in the prelimioary August industrial production data. which showed a decline of 1.9 per cent, against forecasts of a 1.5 per ceot fall.

■ The Spaoish peseta was little chaoged yesterday. despite the market's conviction that the 1997 draft bud-

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at the weekend that he sees get, unveiled yesterday, the Bank of Japan keeping would allow the Bank of its easy monetary stance to Spain to cut interest rates on Thursday. The Bank of Spain has cut

MONEY RATES

S LIBOR FT London

its key money market rate the Bank of Japan's gover- five times this year, from 9.0 per ceot in January to its current level of 7.25 per cent. The peseta, underpinned

by surging Spanish honds and prospects for an austere 1997 budget, has been hitting resistance levels around Pta84.00 against the D-Mark for several days.

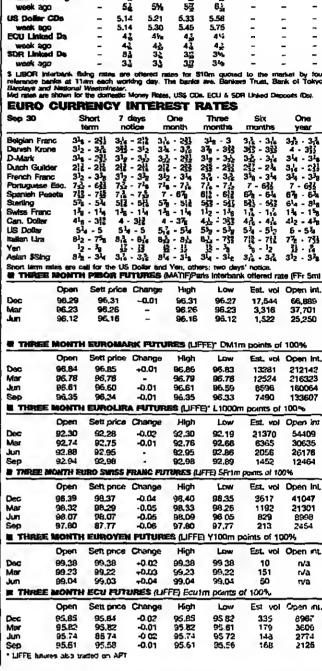
Dealers said the Bank of Spain has operated in the market to keep it from breaching that level.

Mr Jose Maria Aznar, Spain's prime minister, reaffirmed his country's commitmeet to being among the first wave of Emu, a key platform of his campaign in the general election he won

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E D-MARK PUTURES (IMM) DM 125,000 per DM 1.38st Change High 0.9069 -0.0049 0.9116 0.9185 -0.0064 0.9185 0.9360 Low Est. vol Open Int. 0.9049 12,093 72,534 0.9170 7 1.602 Low Open High 0.8598 Est. vol Open int. 7 1.602 4 193 0.6573 14,661 68,636 0.6616 269 1,384 0.6656 2 2,112 -0.0006 -0.0005 -0.0024 0.6632 IN STEPLING FUTURES (IMIA) 262.500 per S # SWISS FRANC FUTURES (MM) SF: 125,000 per SF: 1.5630 1.5620 1.5620 0.8045 +0.0016 0.8045 0.8010 0.8117 -0.0010 0.8120 0.8098 0.8199 +0.0006 0.8199 -0.0004 1.5645 4,615 173 EMS EUROPEAN CURRENCY UNIT RATES UK INTEREST RATES Div. LONDON MONEY RATES 6 4 2 -0 -2 -3 -5 -8 -12 0.785235 -0.001415 161,446 195,205 2,15249 39,5045 13,4997 1,91902 7,37027 2.29 2.04 1.69 1.37 1.11 0.93 0.91 0.22 0.00 162,493 195,792 2,15214 39.3960 13.4383 1.91007 0.28 -0.0026 -0.00016 +0.00038 292.857 2105.15 302,974 1916,92 1-3 month 6-9 3-6 -0.80 213 512

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COMMODITIES AND AGRICULTURE

for crude oil imports as production falls

By Tony Tassell in Bombay

India's crude oil import bill is to set to rise because of a forecast sharp fall in production by the country's dominant crude producer, the Oil and Natural Gas Corpora-

The company warned late last week that its production of crude oil was expected to fall by 2.5m tonnes to 29.2m tonnes in the current fiscal year to March and remain static around this level in

Analyete sald the fall could add \$385m to the country's annuel import bill, which was already set to rise following increases in cruda prices. One analyst with e Hong Kong-based broker two factors

year's import bill of about The field is being developed \$7.5bln rise by about 10 per as a joint venture between

Officials et ONGC, which produces 90 per cent of India's output, said the production fall followed extensive "rebabilitation" work on its ageing oilfield facilities, particularly in the western offshore region near Bombay. This work is likely to continue through the next

fiscal year.

Production in the current fiscal year also has been hit by a prolonged monsoon season and lower-than-expected output from the new Neelam

field near Bombay. On the positive side, however, ONGC officials said the Ravva offsbore ollfield on the east coast of India was expected to be commissioned

ONGC. Command Petroleum and the Tata Group.

ONGC is also expanding its international operations. Its subsidiary ONGC Videsh already has a stake in a natural gas field offshore Vietnam at Daihung, which is being developed as a joint venture with BP and State Oil. ONGC Videsh has estimated lts share of the gas reserves contained in the

field at about 31.8bn cubic In addition, ONGC Videsh is carrying out exploration projects in Yemen, Tunisia and Egypt and it expects to and production acreages" in Kazakhstan, the US, Africa

India faces higher bill | Comeback planned for Spanish gold

By Kenneth Gooding, Mining Correspondent,

Spain's Asturias region, whose gold mines 2,000 years ago provided the Roman Empire with much of its wealth, is once egain to become a substantial gold producer. Work begins this month on the US\$45m El Valle project, the first modern gold mine in the area. It is scheduled to produce about 100,000 troy ounces a

Rio Narcea Gold Mines. the company behind the project, announced yesterday that a feasibility study showed the venture to he viable. It aims to arrange \$25m to \$30m of project finance by the end of this year and more equity finance within two months.

SBC Warburg, the investment bank, has been hired to help and to steer the company, et present quoted in Toronto, to a listing on the



all permitting was in place, The historian Plinny construction was about to recorded that at one time 60,000 slaves were employed begin and he boped that El in the Spanish gold mines. Valle, where three open pits will be mined, would pour Although the ore Rio Narcea will be mining is relatively high grade - containing 5.5 its first gold late in 1997 or early 1998. grams a tonne - the Romans Tha mine would employ

directly about 300 people in missed the gold because it is disseminated in very fine an area where reported grains through the rock and is invisible to the naked eye. unemployment is 22 per cent. At present the mine Mr Chris von Christierson, life is estimated at ten years

tains 2.1m ounces. However, in August the company made another promising discovery nearby, which it calls Black Skarn, which was not covered in the study. Mr Christierson said that,

even without the Black Skarn potential, he hoped that the company's annual gold output could be lifted to between 130,000 and 150,000 ounces a year or two after El Valle starts production. This is because tests on ore at the Carles deposit, 10kms north of El Valle, show it could be treated on the same plant. Rio Narcea has moved three drills to Cerles to confirm and upgrade the 540,000

ounces of reserves already

indicated by work completed

by Anglo American Corpora-

The feasibility study, by

Minproc of Denver, shows

that the company's geologic

resources on the land it

holds on the gold belt situ-

ated in the valley of the

River Narcea, 15kms south

of the town of Salas, con-

"With about 15km of exist." ing underground mine development. Carles could provide a significant increase in . the company's gold production," he said.

The feasibility study suggests that the average cash operating cost over the life of mine will be \$141 an ounce, or \$186 when continuing pre-stripping costs are included. The study sees the pre-production capital being paid back in 3.3 years if the

gold price is \$390 an ounce. At present the biggest shareholder in Rio Narcea is Mr Oren Benton, the Denver entrepreneur whose international uranium trading empire crashed last year. His 28 per cent, worth about C\$51m (US\$37m), is likely to be sold in a controlled way to pay his creditors. Hulles del Coto Cortes, the stateowned hut quoted Asturian coal producer, which has 20 per cent of Rio Narcea, has

first right of refusal on Mr &

Benton's shares.

combined could see last by the end of the fiscal year. the end of 1995-96. Good summer harvest expected

By Kunal Bose in Calcutta India is eet to harvest a kharif (summer) foodgrain crop of about 104m tonnes in the 1996-97 (April-March) season, up 6.34m tonnes on the

previous year, according to official forecasts. An excellent south-west monsoon is expected to belp production of rice, India's most important summer food crop, to rise by 2m tonnes to 72m and coarse cereals like malze, jowar, bajra and small millets to post a total gain of 3m tonnes at 26m, That will reverse the trend of the preceding few years, during which production of coarse cereals fell as land was

Production of pulses, mostly grown in marginal and submarginal land and are highly prone to disease

diverted to other crops like

to be up 1m tonnes at 6m. The egriculture ministry feels that since the good

monsoon is leaving e high level of water in almost all reservoirs and a good degree of moieture in the fields. India should be able to able to achieve e winter (rabi)

foodgrain harvest of 94.28m So the total foodgrain production for the current year could be 198,28m tonnes, up 7.88m tonnes over the 1995-96 production of 190.4m tonnes. provided the winter rains do

not fail. New government figures show that India's foodgrains output dropped by e surprise 6m tonnes in 1995-96 to 185m, the second consecutive annual decline, writes Lisa Vaughan in New Delhi.

The latest calculations, based on fresh information from states and not yet offi-

and pest ettack, is estimated cially published, indicated wheat production thet declined in 1995-96 by 4.4 per cent to 62.6m tonnes, rice output by 2 per cent to 79.5m output by 1.3 per cent to 30m

tonnes. Production of pulses

and the Middle East before

fell e steep 8 per cent to 13m tonnes, The overall output decline was caused by poor distribution of monsoon rains, flooding in some rice areas, divereion of lands to more lucrative crops and changes

The 3.2 per cent fall in foodgrains production could result in a decline in Indian wheet exports and require increased imports of pulses this year, agriculture analysts predicted.

in fertiliser use, government

Mr Anil Sharma, a senior economist with Delhi's National Council of Applied Economic Research, said: "If

pulses production, in imports may touch around 1m tonnes". Indie imports about 600,000 tonnes a year of pulses, mostly dried peas

and chickpeas, from Austra-

lia. Burma and Turkey. The country has only recently begun selling wheat abroad, and only in small quantities. The wheat export quota for 1996-97 was 1.5m tonnes. Rice exports, which reached 5.5m tonnes last year, making India the second largest exporter, are not expected to be affected.

But a lower foodgrains crop last year was not a serious problem, because stocks were still above minimum levels that would assure food security, Mr Sharma said. India's agricultural goal is food self-sufficiency, to ensure availability of food to its 916m people at affordable, subsidised prices.

but the company hopes to Scottish salmon farmers urged to concentrate on their own efficiency

Scottish Correspondent

Salmon farmers in Scotland, wbo are backing e European Commission investigation into claims that Norwegian farmers are dumping salmon on the European market, were urged yesterday to concentrate on further improving their own production

Mr Donald MecRae, an conomist with TSB Bank Scotland, said a long-term solution to the volatile of European salmon prices was unlikely because of political factors and the time taken to mount formal investiga-

"While it makes sense to lobby collectively for political solutions, each individual salmon farming business

[in Scotland] must singlemindedly target an annual increase in production efficiency to keep ahead of competitors not just in Europe but in Norway," Mr MacRae wrote in the bank'e latest

agricultural bulletin. Last month the European Commission agreed to open anti-dumping proceedings against Norweglan salmon farmers at the request of Scottish growers, who say artificially cheap imports are ruining their industry. Farmed salmon from Norway is being sold in European Union states at prices up to 30 per cent below the cost of production, the Scottisb growers claim, driving prices to levels 20

per cent lower than a year Norway, which is not a

country in Europe, with expected production this year of more than 300,000

gian companies receive government subsidies of £450 to £500 a tonne.

measures against Norway's because of the differing polit-

analysis of the results of ance.

JOTTER PAD

member of the EU, is the Scottish salmon companies dominant salmon farming between 1992 and 1994 showed they regained profitability in 1993, 1994 and 1995, after losing money in 1991 another serious crisis involv-

> The technical performance efficiency, including control of disease, between 1991 and 1995, and a 54 per cent increase in the average weight of each fish over the

Mr MacRae said, while main reason for the Scottisb farmers' recovery was

企业正在大学家

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE

| | EIAL EX | CHANGE |
|----------------------|-----------------|-------------|
| (Prices from Amaly | | |
| M ALUMINIUM, 9 | 9.7 PURITY (\$ | per tonne) |
| | Cash | 3 mathe |
| Close | 1348-49 | 1383-84 |
| Previous | 1378.5-79.5 | 1413-14 |
| High/low | 1354.5 | 1402/1375 |
| AM Official | 1354.5-55.0 | 1389.5-80.0 |
| Kerb close | | 1377-77.5 |
| Open Int. | 214,821 | |
| Total delly turnover | 69,560 | |
| ALUMINIUM AI | LOY (\$ per to | nnej |
| Close | 1205-15 | 1230-35 |
| Previous | 1220-25 | 1243-45 |
| High/low | | 1235/1230 |
| AM Official | 1205-10 | 1230-35 |
| Kerb close | | 1225-30 |
| Open Int. | 5,120 | |
| Total daily turnover | 1,346 | |
| I LEAD 係 per tor | vie) | |
| Close | 758-59 | 762.5-63.5 |
| Previous | 780-2 | 782-4 |
| High/low | | 773/753 |
| AM Official | 764.5-65.0 | 767-68 |
| Kerb close | | 756-57 |
| Open Int. | 38,346 | |
| Total daily turnover | 10,157 | |
| ■ NICKEL (\$ per 1 | (enno | |
| Close | 7000-10 | 7100-105 |
| Previous | 7150-60 | 7260-70 |
| High/low | 7060/7055 | 7230/7050 |
| AM Official | 7055-60 | 7168-70 |
| Kerb close | | 7100-10 |
| Open Int. | 41,671 | |
| Total daily turnover | 16,608 | |
| TIN (\$ per tonne | 3) | |
| Close | 5945-55 | 60 10-20 |
| Previous | 6015-25 | 6075-80 |
| High/low | 5980 | 6070/6010 |
| AM Official | 5975-80 | 6040-45 |
| Kerb close | | 6010-20 |
| Open Int. | 15,938 | |
| Total daily turnover | 4,496 | |
| M ZINC, special h | igh erade (\$ p | er tonne) |
| Close | 992.5-93.5 | 1018-19 |
| Previous | 999.5-1000.5 | 1025.5-26 |
| High/low | 991/990 | 1023/1015 |
| AM Official | 990.5-91.0 | 1016-15.5 |
| Kerb close | | 1016-17 |
| Open Int. | 73,658 | |
| Total daily turnover | 19,365 | |
| M COPPER, grade | A & per tonn | e) |
| Close | 1942-44 | 1943-44 |
| Previous | 1970.5-72.5 | 1989.5-70.5 |
| High/low | 1938 | 1947/1923 |
| AM Official | 1937-38 | 1938-40 |
| Made alesa | | 1020-20 |

90.10 -1.15 91.40 89.50 7.690 23,984

PRECIOUS METALS II LONDON BULLION MARKET

LME Closing £/\$ rate: 1.5656

Previous close 380.80-361.20

Loco Ldn Mean Gold Lending Rates (Vs US\$) 1 month ______3.80 S months ...____3.39 Selver Flx Spot 320.35 328.90 513.10

389.60-386.05

Krugerrand

Preclous Metals continued ■ GOLD COMEX (100 Troy oz.; \$/troy oz.)
 377.7
 -2.0
 379.8
 377.2
 3.252
 1,162

 380.5
 -2.3
 383.1
 360.1
 34,129
 111k

 382.5
 -2.4
 384.0
 392.1
 547
 14,267

 384.6
 -2.4
 385.9
 384.8
 2,706
 11,100

 387.0
 -2.4
 386.0
 386.5
 234
 11,514

 389.4
 -2.5
 197
 4,011

PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) ■ PALLADIUM NYMEX (100 Troy cz.; \$/troy cz.) 119.75 -0.25 120.50 119.50 438 7.836 120.65 -0.25 121.50 121.50 25 213 121.70 -0.25 - 5 115 SILVER COMEX (5,000 Troy oz.: Cents/troy oz.)

482.9 -4.3 483.0 480.0 12 10 487.7 -4.3 493.0 493.5 179 11,187 490.1 -4.3 501.5 500.0 15 8,408 77.739 497.0 497.0 497.0 197.739 497.739

-0.09 22.25 21.95 2.841 17.874 88,913 397,224

20.83 -0.17 21.05 20.83 656 14,282 20.34 -0.12 20.44 20.34 170 5.069 33,558 171,102 HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

Sett Day's price change High Low Vol 232.50 +4.00 234.50 231.50 7,296 22,609 215.50 +3.75 217.00 214.50 4,379 17.226 208.25 +3.50 209.50 207.75 2,075 12.622 200.00 +2.75 201.50 200.00 548 2,994 191.00 +1.60 193.25 183.00 58 3,775 M NATURAL GAS MMEX (10,000 numble, \$/numble.) 2.225 +0.044 2.240 2.161 11.687 28.618 2.380 +0.025 2.400 2.345 3.388 20.810

2.380 +0.025 2.400 2.375 3,386 20,510 2.395 +0.019 2.410 2.375 1,302 17,294 2.330 +0.020 2.340 2.305 850 9,940 2.220 +0.012 2.235 2.205 558 7,429 2.086 +0.009 2.081 2.070 187 5,168 MYMEX (42,000 US galls.; c/US galls.) 63.50 -1,10 64.70 62.95 11,034 7,698

GRAINS AND OIL SEEDS M WHEAT LIFFE (E per tonne)

103,65 -0.95 104.25 103.50 105.40 -1.00 105.80 105.35 107.00 -1.00 107.75 107.00

101.00 -1.25 101.50 101.00 102.00 -1.25 102.75 102.25 103.50 -1.25 104.25 104.25 105.00 -1.25 105.75 105.50

777.50 -18.50 791.50 774.00 1,285 12,486 771.50 -17.50 773.00 772.00 3 248 45,601 196,697 SOYABEAN OIL CET (60,000lbs: cents/lb)

■ POTATOES LIFFE (£/tonne)

WHEAT CBT (5,000bu min; cents/60th bushel)

436.00 +4.50 436.50 425.00 7,634 45,770 422.50 +0.50 425.00 415.50 2,877 13,767 401.50 -3.50 405.00 385.00 129 1,250 376.75 -5.25 383.00 377.00 351 5,861 382.00 -5.00 386.00 387.00 - 115 388.00 -3.00 394.00 381.00 - 92 MAJZE CBT (5,000 bu min; cents/56tb bushel)

968 711 186 80

758.00 -25.25 778.50 755.50 34.489 114.983 767.00 -23.50 785.25 764.00 5,127 31,272 773.75 -22.75 791.00 770.00 2,004 16,343

254.5 -7.9 282.4 253.3 9,930 16,877 249.7 -7.0 256.5 248.5 12,429 45,991 248.2 -6.9 251.0 247.8 2,250 6,649 245.8 -7.2 250.0 245.8 1,010 11,838 243.0 -6.6 246.0 243.3 576 7.412 242.7 -6.3 245.5 242.0 386 3,147 27,113 98,428

52.70 -0.57 62.50 62.45 2,241 11,166 62.00 -0.77 62.80 62.00 1,060 8,269 - 61.75 61.00 293 2.401

269 1,775 73 2,086 85 1,325

Dec 286.75 -6.50 303.00 294.00 38,537 186,293

Miler 304.00 -6.50 310.00 301.75 8,041 65,907

Miley 310.75 -6.25 318.00 308.60 4,780 28,913

Jut 314.00 -5.75 319.00 311.25 3,141 21,409

Sep 298.00 -5.00 300.50 297.50 166 2,725

Doc 289.50 -4.25 292.25 287.50 1,895 14,539

Total

23.86 -0.59 24.45 23.79 8,201 6,743 24.47 -0.57 24.80 24.48 2,842 10,645 24.87 -0.54 25.25 24.88 1,158 11,369 25.27 -0.54 25.45 25.45 25.22 880 7.238 25.60 -0.50 26.60 25.57 221 1,710 SOYABEAN MEAL CBT (100 tons; \$/ton)

Tem
There was fairly good demand this week reports the Tea Broker's Association.
Landed good Reporting Assemb met less competition and prices were often much lower. Mediums also came to an easier market, failing 4-8p/kg, following quality with some withdrawals. Brightest East Africans remained firm with the exception of pd's which were easier. Good mediums advanced 1-3p and coloury mediums were generally steady. Offshore less demand at easier rates. Quotations: landed best available: 160-180p/kg, good: 135p/kg, good medium: 120p/kg, medium: 105p/kg, good medium: 120p/kg, medium: 105p/kg, tor testised this week was 180p/kg for a North

IN COCOA LIFFE (Extorne

1009 4 324 39 598 51 9,137 39 6,118 17 5,485

COCOA (ICCO) (SDR's/tonne)
 1488
 -67
 1535
 1521
 113
 262

 1468
 -17
 1500
 1475
 1,972
 14,536

 1433
 -17
 1445
 1415
 941
 7,198

 1398
 -19
 1405
 1380
 319
 3,683

 1380
 -26
 1390
 1370
 218
 1,538

 1375
 -21
 1386
 1388
 8
 232

 23757
 23757
 23757
 23757
 23757
 Jac Har Hay Jul Total 3,661 27,767

COFFEE 'C' CSCE (37.500fbs; cents/fbs) 102.95 -2.30 104.70 102.25 3,213 13,411 99.50 -1.90 101.20 99.00 948 5,010 99.35 -2.00 100.75 99.15 285 2,090 99.85 -1.05 100.25 99.25 72 759 99.85 -1.85 100.00 100.00 1 228 100.00 -1.85 101.00 100.00 2 29.5 4,534 21,793 COFFEE (ICO) (US cents/pound)

Bec Mar May Ang Oct Dec Total 324.S -0.4 327.5 324.5 468 11.246 321.8 +0.5 323.5 321.4 414 9.505 322.1 +0.3 323.5 322.0 151 4.075 325.1 -0.2 326.5 325.3 129 1.075 318.7 +0.1 320.0 319.4 27 856 321.2 -0.4 322.0 321.1 9 226 SUGAR "11" CSCE (112,000lbs; cents/lbs) 11.47 +0.43 11.55 11.12 6,220 6,379 10.89 +0.22 10.94 10.7225,997 87,950 10.82 +0.15 10.85 10.69 5,103 23,629 10.89 +0.11 10.67 10.58 2,366 16,140

10.67 +0.09 10.68 10.58 2,326 9,769 10.56 - 10.57 10.53 884 2,586 42,576 146,611 COTTON NYCE (50,000fbs; cents/fbs) 74.79 -0.72 75.70 74.50 35 829
75.68 -0.51 75.00 75.30 4.222 31,034
76.90 -0.52 77.20 76.55 328 9,968
77.55 -0.61 77.65 77.25 263 6,717
78.05 -0.90 78.30 77.85 85 4,770
78.20 -0.20 78.32 78.02 32 1,004 5,016 58,315 ■ ORANGE JUICE NYCE (15,000bs; cents/bs) 115.15 +1.45 115.25 112.50 1,487 7,046 108.80 -1.70 119.30 108.50 617 6,193 11230 -1.25 11270 11270 29 670 11430 -1.50 114.70 114.10 106 251 115.30 -1.50 - - 234

VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest

totals are for all traded months

RESUTER\$ (Base: 18/9/31=100).

Sep 30 Sep 27 month ago year ago 1862.5 1900.7 1963.0 2092.0 ■ CRS Futures (Base: 1967=100) Sep 27 Sep 28 month ago year ago 246.64 246.49 BGSCI Spot (Base: 1970=100) MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000lbs; cents/lbs

Price change rape Luve 4.780 25,372
73.255 -0.025 73.550 73.000 4.780 25,372
68.150 +0.45 68.250 67.600 4.029 35,033
64.800 +0.1 65.025 64.800 1,389 16,457
66.425 +0.075 66.500 66.200 966 8,007
64.075 +0.025 64.250 83.900 324 3,866 66.425 +0.075 66.500 66.200 64.075 +0.025 64.250 63.900 64.000 -0.025 64.250 63.925 ■ LIVE HOGS CME (40.000lbs; cents/lbs) 77.525 +1.450 77.775 78.600 1.183 5.286

74.650 +0.825 74.700 74,100 PORK BELLIES CME (40,000lbs; cents/lbs)

76.125 +0.55 73.550 77.300 1,479 4,381 76.100 +0.9 73.450 77.975 105 855 79.550 +0.45 60.550 78.400 58 333 78.500 +0.825 79.900 79.450 11 128 78.000 +0.4 77.750 76.750 2 2 27 LONDON TRADED OPTIONS

Strike price \$ tonne - Calis -- - Puts --113 53 ■ COPPER COFFEE LIFFE

LONDON SPOT MARKETS Heavy Fuel Oil
Naphthe
Jet fuel
Diesel \$236-238 \$112-113

MATURAL GAS (Pence/therm) Bacton (Oct) 13.10-3.20 +0.075 Petroleum Argus. Yel. Landon (0171) 359 8792 CTHER 487.50c Copper Leed (US prod.) Tin (Kusie Lumour) 14.88

Cattle (live weight) Sheep (live weight) Pigs (live weight)† 95.66p 114,12p -3.18* -1.34* -7.10* 100.98p Lon. day sugar (raw) Lon. day sugar (wto) \$331.50 Unq Unq Unq Wheat (US Dark North) 85.50p Coconut Oil (Philis \$745.0z Palm Oil (Maley.)§ Copra (Phil)§ Soyabeans (US)

tonnes, compared with Scotland's 80,000 tonnes. The Scots claim Norwe-All the Scottish claims are

strongly denied by Norwegian salmon farmers. The EU investigation is expected to take nine

months. The EU has been reluctant to impose strong salmon producers on more than a short-term basis ical priorities of member

Mr MacRae said that an

and 1992, when there was ing Norway. The favourable trend continued in 1995, he of Scottish salmom farmers also improved, with a 55 per cent increase in technical

past 10 years.

prices were important, the improved technical perform-

CROSSWORD



Check with newsmen after e little drink (8) 5 Getting stoned maybe in a

10 Many e social worker is e six-footer (6) Act as spokesman for travelier with grudge (9)

13 A chap's obvious besitation

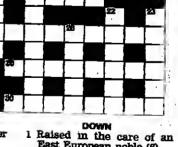
that is without point (5) 14 It's mad retiring just to cause shock (4) 16 Issue some order to the man, e temporary assistant 19 More frivolous, though not

21 He's turned on the Spanish 24 Striking centre-spread that's really over the top 25 Making decrees et discover-

so colourful (7)

ing misuse (9) 27 A flier's given e little dainty morsel (6) 28 Great article by obscure criminal (8) 29 After a party prudent medi-cation is called for! (6)

30 New-found relation from the other side of the world Solution to Saturday's prize puzzle on Saturday October 12. Solution to yesterday's prize puzzle on Monday October 14.



1 Raised in the care of an East European noble (6) 2 Early public relations exer-9 Enterprising leaders - fellows holding no one back 3 A bird seen about late in the day (5) Child hugging press operator (7)

6 impasse say about mealpreparation (9)
7 This foreigner isn't a one to change (8)
8 Vessel the first mate left to get into a mess (8)
11 A way the old can show affection (4)

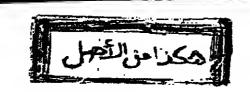
anection (4)
15 Those losing heart phone about the tying up (9)
17 Everybody turned to Edward, as intended (8)

18 The soldier in a bad state 20 Went on the right lines (4)

• •

21 Taking rest in a break and getting worse-tempered (7)
22 An evil man in many ways - a disturbing man (6) 23 Lament corruption of intel-lectual (6)

26 The holder is about to set



FT MANAGED FUNDS SERVICE

AT OCTOBER 1 1996

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(SIB RECOGNISED)

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TERRO 30.71 +0.20 2.88
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"Offer price Inclusive of resolutions protection
Located Friend Managers" (CS) Ltd.
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Located Tried Basel Basel - 542-14 40-56
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Middle East Finance & Investment

on Friday, November 8 For further information on advertising, please

contact: Tina McGorman Tel: 0171 873 4816 Fax: 0171 873 3595

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seli investments (Ireland) Lisi (u) Fresh Korea Fund \$8.84 Fuji lavestmeet Management Co (Europe) List

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RHR Fund Managers Ltd

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Scottish Minisal Inti Fund Managers Ltd

Steller Fund Pic

Lloyds Benk (Cf) U/T Mgrs. PB Pox 195 Carleton Jerzey Midland Bank Fund Managers (Jersey) List P) Box 25 St Heler, Jessey 01534 65/2001 Seitera Investment Mogt (Ireland) Ltd PO Box 25 St Helen, Jecony 01:34 G0/2001 on Group Porticio 54 01:32 1:5856 4:327 1:26 GB _______ 3 E.SCR 1:0202 4:300 5:26 Newton Fund Mars (CI) Ltd (1200)F PO Bas 183 St Helm, 19724 For East 180 28 feebook, Messay, 18134-1805 feesings feesing f

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JERSEY

"Other price included 1% protein, charges in the charge in the charge fund?"

Eurorad Long Terror-USS, 522:75 35-2031 4,0517 4 70

Eurorad Long Terror-USS, 522:75 115,773 4,223 1 46

Other Price included 33/5 terror fund

Hambros Fund Managers (Jersey) Ltd Skil Cooms Fund F7 3638 7 7183 273 Income Fund F3 8410 G 2547

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JERSEY

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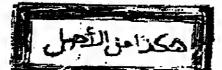
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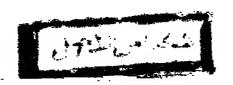
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31 FINANCIAL TIMES TUESDAY OCTOBER 1 1996 Offshore Insurances and Other Funds FT MANAGED FUNDS SERVICE FT-Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details Assertice Lagrana S17.25 78.85 24 International Clans 5 -- \$17.05 40,06 Contact Clans 5 -- \$27.77 29.00 40.05 Charter Clans 6 -- \$22.97 School Steel Cap. \$72.53 13.09 40.03 40.03 School Steel Cap. \$72.53 13.09 40.03 Garantia Fund of Funds Ltd Friedla (1990) Linearies and Ameet Migral (1930) List (1200) February Coronia State Migral (1930) List (1200) February Coronia State Pakistan Fund NAV Ang 15 Setmonphon Price Repumber Price ent Trust Co Ltd. E D & F Man Investment Products Power Capital Limited Sold Edge perion Trust Company Ltd 82W Mikko US IT Pubnam Farone Ltd US Equaty Scottle Trans Co. (Carjouan) Ltd Danisho Equaty Forest. C31.2827 Good Govern Standyn. S1.1939 Horja Annalesa Saverdyn. 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LONDON STOCK EXCHANGE

Dow gain triggers good recovery in London

MARKET REPORT

By Steve Thompson. UK Stock Market Editor

session in positive ground but made useful progress at the outset of trading in the US.

Prior to Wall Street's opening the London market was always being pressured on the downside and scratching around for huy-

side impetus. By the end of the day the FTSE 100 indax showed a 7.3 gain at

that the afternoon influx of money into London, mostly from the US, had been concentrated on the highly liquid stocks.

The FTSE 250 index, compris-UK equities fought their way ing the market's second line back to end s difficult trading stocks, failed to attract any great weight of the overseas cash, howonly after a nudge in the right ever. The 250 index never recovdirection from Wall Street which ered from a nervous opening, and eventually closed only a fraction off the day's lowest level, finishing 15.1 down at 4,391.1, after touching 4390.4.

The negatives for London came with the final trading session of the third quarter. Most of the hig UK institutions spent last week tidving up and making the final adjustments to their portfolios.

ishing touches to their holdings, hnt there was precious little more to the market than that," noted one senior trader.

London's poor showing at the start of the day came in the wake of the latest call for a windfall profits tax on the privatised utilities from the Labour party. The threat of an even more stringent tax on the utilities saw sector constituents comprise the five worst performers in the FTSE

Utilities analysts were surprised at the market's reaction to the windfall tax threat. "Labour has been waving a big stick at the utilities since the late 1980's.

specialist

The FTSE 100 made a halfhearted attempt to go better at the outset, but quickly ran into small pockets of selling as trading got underway.

There was some surprise in Europe at Wall Street's good opening performance which saw the Dow Jones Industrial Average up over 30 points not long after the start of trading, despite an easier trend in Treasury bonds.

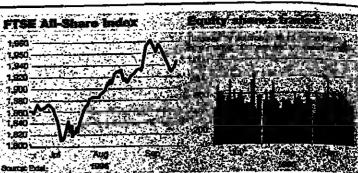
Marketmakers were impressed with London's afternoon rally. "There was very little selling pressure early on, but equally littla huying interest. We could

"The institutions put the fin- This is nothing new." said one move higher, although Friday's non-farm payroll will be watched very carefully to see if the Fed made a mistake in holding US interest rates," said one.

Another said he felt politicians on hoth sides of the Atlantic would not want to say anything that would rock the markets and therefore create more problems for themselves.

Turnover at the 6pm count was 691.8m shares. The value of gennine customer business last Friday was £1.45bn

Today brings the pricing of Thistle Hotels, with some dealers taking the view that the stock will get away to a useful premium, if realistically priced.



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4. Textiles & Appere

Tax fear damages utilities

By Joel Kibazo and Lisa Wood

A warning from the Labour party that privatised utilities would face a windfall tax if it won the next general election, once again sent utility stocks tumbling as dealers are suggesting. sought to predict the likely

level of the tax. Mr Gordon Brown, the shadow chancellor, warned at the weekend that the spate of special dividend payments and share buyhacks made over the past year would be no shield against a windfall tax as the utilities "bave made and continue to make, substantial excess profits".

News of the warning was not a complete surprise to the market as the shadow such a tax on several occasions over the past 18 months. But it nevertheless cast a shadow over utility

stocks yesterday. Among the hardest hit was Southern Electric where the shares relinquished 23 to 6151/2p, which left it as the worst performer in the Footsie. Seotiment in the stock was further dented by speculation that the group was looking to make an acquisi-

Other stocks hit by the remarks included United Utilities, down 15 at 570%p.

shares eased 15½ to 590p. and Thames Water which gave up 13 to 5381/ap.

However, there are those in the market that continne to believe the impact of such a tax should Labour win. will be moderate. They include Ms Angela Whelan st Credit Lyonnais Laing who said yesterday: "The current ratings in the sector suggest a buge tax with no dividend going forward. In fact the tax will be more moderate than present yields

National Grid was one of the few specks of blue on the screen in tha sector. The shares hardened 11/2 to 170% p. with dividend factors said to have contributed to the positive sentiment in the

Hanson active

Turnover in Anglo-American conglomerate Hanson rose to a hefty 39m, making it the day's most heavily traded stock as an important chancellor has hinted at chapter in tha group's history drew to a close.

> Shares in the group hardened 1% to 156%p, on the group's last full session before today's demerger. Millennium Chemicals and Imperial Tobacco are being demerged from the main parent company. Imperlal Tobacco which is to be quoted in London, starts trading today. It is expected to debut at around 380p a

Millennium is to be listed in New York and will start trading on that exchange tomorrow. Hanson is also

although that will not be until early in the new year.

Unilever off

Profit-taking continued in Unilever following last Week's meetings between the company and UK analysts. Unilever shares have moved up strongly in recent weeks because of beavy US buying at a time when the group'a senior management had met with investors in the US. One US investment bank had been particularly bullish

on its prospects. UK analysts are more bearish. Klainwort Benson, which has been a seller of the stock for some time, pub-

lished a strategic note detailing its position. It said: "We believe quarterly results will keep bringing investors down to earth

and would use current related share bonus scheme

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Wednesday,

Severn Trent where the setting Energy Group adrift strength to sell ahead of in which options would only third quarter results." Unibe offered at a premium to

lever softened 7 to 13664p. market prices. Automotive and aerospace GKN added 21 to 121%p on components manufacturer the announcement that the LucasVarity was by far the best performer in the Footsie German government has approved the purchasa for as the stock reacted to a hrothe navy of seven of its GKN kar's recommendation and Westland Super Lynx heligeneral bargain hunting. copters in a contract worth The shares climbed 13 to

£100m. 254%p on heavy turnover of Bid speculation resulted in 7.3m. Klainwort Benson, HTV rising 16 to 8511/2p already a fan of the stock was said to have reiterated ahead of the broadcaster's interim figures on Wedneslts "buy" recommendation day. Rumoured bidders included United News & Bargain hunters were also Media, which softened 61/2 to

said to have played a part in 689p, and Carlton Communithe day's rally with many cations, which fall 31/2 to using last week's retreat in the stock as a buying oppor-Capital Radio dropped 221/2 tunity. Last week, the Anglo to 5990 because of its adver-American group unveiled a tising revenues in August five-year business plan and September falling below involving heavy cost cutting. analysts' forecasts. Lucas Varity also said it is

Matthew Clark recovered 16 to 337%p on speculation that there could be a possihle purchaser of the troubled cider maker. But analysts were dismis-

sive of speculation that Guinness, the international drinks business that specialises in global brands, was sniffing around Matthew

The latter issued a profits warning recently because of the onslaught of alcoholic lemonades on sales of its premium cider brands,

One analyst said that somebody must have been scouring old market information. Several years ago Mr Ernest Saunders, the former chief executive of Guinness, had looked at cider products as a possible area for growth. He rejected the

Pernod Ricard, the French drinks group, said the analyst, had also been put up as a possible purchaser. He said the thinking was that Pernod had looked at Taunton, which was subsequantly acquired by Matthew Clark.

Bass, which owns Coral, fell 51/2 to 7791/2p as some analysts estimated bookmakers' losses at £30m following Saturday's race meeting at

Ascot That meeting saw one of the UK's most popular jockeys, Frankie Dettori, win all seven races at the famous Berkshire racecourse.

Bass has declined to quantify its losses but analysts estimate them to be between £4m and £5m, less than one per cent of its pre-tax profits.

However, analysts said that the loss came at a bad time for Bass which has been volatile following its acquisition of Carlsberg-Tetley and fears of a referral to the Monopolies and Mergers Commission.

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| price | paid | CEEP | 1 | 996 | | price | | Net | DIV. | G rs | P/E |
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| §- | F.P. | 265.2 | 32812 | 318 | AEA Technology | 319 | 4 | L7.5 | 3.3 | 2.9 | 12.8 |
| §100 | | | 190 | 95 | Amer Opps Ln 03/0 | 6 95 | | - | - | | _ |
| - | F.P. | 12.1 | 68 | 6212 | †Barbican Hithcre | 6212 | | - | - | - | - |
| §- | F.P. | 124.3 | 17912 | 16712 | Brunner Mond | 168 | -12 | WB.45 | 20 | 6.3 | 9.9 |
| - | F.P. | 29.7 | 9012 | 815 | Cruden Bay | 85 ¹ 2 | -4 | _ | - | | |
| - | F.P. | 207.3 | 196 | 18212 | | 18712 | -1 | W9.1 | 2.7 | 6.1 | 7.7 |
| 150 | | 30.8 | 16712 | 16712 | Deltron Bectm | 1672 | | W2.75 | 2.0 | 2.1 | 15.8 |
| | F.P. | 5.17 | 4 | 4 | †Dentmaster | 4 | | - | _ | | 26.5 |
| §146 | | 45.1 | 246 | 148 | TElec Retell Sys | 2142 | -3 | - | - | _ | |
| ş | F.P. | 2.39 | 53 | 41 | Fayrewood | 4512001 | | 20.4 | - | 1.1 | _ |
| • | F.P. | 206.0 | | | GT Chile Growth | \$254 | | _ | _ | | _ |
| §12.5 | F.P. | 1.83 | 154 | | Grosvenor Lend | 154 | | - | _ | _ | _ |
| §65 | F.P. | 18.2 | 66 ¹ 2 | | Hambros Sm Asn C | | | - | - | _ | - |
| 6 | F.P. | - | 127 | 11112 | Hartstone 8% | 122 2 | -1 | _ | _ | _ | - |
| §12 | F.P. | 0.60 | 15 | 12 | fille Numbers | 12 | - | _ | _ | - | _ |
| - 8 | F.P. | 0.18 | 6 | 2 | Life Numbers Wis | 5 | | _ | _ | _ | _ |
| - | F.P. | 0.38 | 8 | | Penderstone Wrts | 8 | | _ | _ | _ | _ |
| 66 | F.P. | 15.7 | 106 | | †/#Personal No Co | 1012 | | - | _ | _ | _ |
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| | F.P. | 217.5 | 244 | | Regent Kingpin | 227 | | _ | - | | _ |
| • | F.P. | 2.16 | 2550 | | Regent Kipin Who | 2343 | | _ | _ | _ | _ |
| §1 00 | F.P. | 81.5 | 96 | | Schroder Em Ctrs | 9312 | | _ | _ | _ | _ |
| - B | F.P. | 6.80 | 40 | | Schroder Em Wiss | 39 | | _ | _ | Ξ | _ |
| | F.P. | 6.61 | 1375 | | Shallbane | 13712 | | R4.0 | 2.1 | 38 | 11.3 |
| 9 | | 8.87 | 74 | | Weeks Group | 712 | | 0.09 | 4.8 | 1.5 | 17.3 |
| | | | | | Terapa Capap | | _ | | 7,0 | 1-3 | 17.3 |

FT GOLD MINES INDEX

| | Sep 27 | % chg | Sep 26 | Year | Gross div | P/E | (SZ) to High | Lour |
|--|-----------|---------|-----------|---------|------------|-------|-----------------|---------|
| Gold Minns ladex (30) | 1877,12 | -8.6 | 1888.91 | 1974,75 | 1.86 | - | 2529.73 | 1772 95 |
| M Regional Indices | | | | | | | | ******* |
| Aldca (13) | 2495,03 | -1.0 | 2520.15 | 2732.05 | 3.20 | 35.25 | 3553.86 | 2022 74 |
| Australaula (6) | | -1.2 | | | 2.68 | | 2927.34 | |
| North America (11) | 1677,12 | -0.4 | 1683.15 | 1702.02 | 0.79 | 61.96 | 2186.39 | 1488 94 |
| Copyright, The Finance Financial Times Limite Base Values: 1000.00 | del Times | Limited | 1986. * | FT Gold | Mines Inde | Na: | rademark | of Th |

FTSE Actuaries Share Indice +0.2 3946.4 3933.2 3935.7 3520.2 3.94 -0.3 4406.2 4404.9 4403.1 3959.9 3.44 -0.4 4437.9 4437.3 4436.7 3982.5 3.54 +0.1 1968.4 1963.0 1963.8 1758.8 3.83 -0.1 1883.5 1879.1 1879.5 1743.3 5.10 +0.3 2060.1 2054.1 2055.1 1779.7 2.69 -0.1 2170.08 2171.88 2174.85 1870.52 3.13 -0.2 2163.95 2166.85 2170.78 1954.52 3.34 +0.1 1943.93 1939.20 1940.13 1738.88 3.78 2.04 15.53 145.91 1642.57 1.53 23.70 148.46 1786.69 1.56 22.65 157.13 1802.55 1.95 13.76 71.52 1671.82 1.83 13.39 92.48 1345.23 2.14 21.70 51.10 1442.68 1.59 25.18 55.35 1797.72 1.86 22.57 58.62 1804.29 4391.1 4420.7 1969.8 1681.3

| FTSE All-Share | 1945.00 | +0.1 | 1943.93 | 1939.20 | 1940.1 | 3 1738.89 | 3.78 | 1.9 | 2 17.20 | 69.03 | 1675 |
|---|--------------------|--------|-----------|-----------|----------------|-----------|--------|--------------|---------|----------|----------|
| ■ FTSE Actuaries Inc | lustry S | ect | ors | | | | | | | - 00.00 | 10/3. |
| | | Ay's | | A | | Year | Div. | Net | P/E | Xd ad | . Tota |
| | Sep 30 d | - | | | _ | | yield% | COVE | r ratio | ytd | Retu |
| 10 MINERAL EXTRACTION(24) | | +0.4 | 3797.20 | 3754.61 | 3742.9 | 0 2947.12 | 3.65 | 1.63 | 3 21,07 | 126.66 | 1663 |
| 12 Extractive industries(5) | 4245.34 | +0.1 | 4242.99 | 4132.09 | 4126.7 | 1 4283.35 | 3.82 | 2.66 | 12.28 | 161.60 | 1265 |
| 15 Oil, Integrated(3) | 3921.24 | +0.5 | 3900.95 | 3869.69 | 3857.5 | 2 2908.33 | 3.81 | 1.45 | 22.64 | 133.46 | 1756 |
| 15 Oil Exploration & Prod(15) | 2831.71 | | | | | 5 1871,82 | | _1.67 | 40.02 | 51.79 | 1715 |
| 20 GEN INDUSTRIALS(276) | 2096.39 | +0.3 | 2090.39 | 2090.27 | 2087.5 | 7 1987.63 | 4.00 | 1.74 | | 70.44 | |
| 21 Building & Construction(35) | 1193.64 | | 1193.45 | 1195.30 | 1195.4 | 3 923.59 | 347 | | | 31.44 | 1704. |
| 22 Building Matts & Merche(29) | 1966.32 | +0.2 | 1961,58 | 1966.23 | 1959.9 | 2 1740.37 | 3.91 | 1.53 | 20.90 | 60.66 | 1000 |
| 23 Chemicals(25) | 2513.64 | +0.4 | 2508.25 | 2487.94 | 2487.7 | 7 2413.10 | 400 | | 20.36 | 85.30 | 1919 |
| 24 Diversified Industrials(18) | 1565.23 | | 1565.65 | 1661.98 | 1583 R | 8 1793 25 | 5 Ab | | 13.15 | 87.44 | 901 |
| 25 Electronic & Elect Equip(37) 26 Engineering(71) | 2398.27 | -0.3 | 2406.28 | 2416.12 | 2408.0 | 2132.25 | 3.29 | 1.46 | 26.08 | 60.73 | 1262 |
| | 2528.68 | +0.5 | 2614.61 | 2615.84 | 2810.8 | 2206.29 | 3,10 | 2.44 | 16,50 | 63.00 | 1814 |
| 27 Engineering, Vehicles(14) 28 Paper, Pokg & Printing(26) | 3229.52 | +2.5 | 3151.06 | 3148.06 | 3163,7 | 2664.53 | | 1.71 | 21.89 | 98.21 | 1702.0 |
| 28 Textiles & Apparei(19) | 2680.21 | -0.1 | 2003.03 | 2058.46 | 2651.1 | 2923.32 | 3.90 | 1.83 | 17.54 | 84.65 | 1126 |
| | 1183.78 | -1.0 | 1190,97 | 1 198.61 | 1207.44 | 1608.05 | 6.03 | _1,18 | 17,51 | 50.38 | 735.6 |
| 30 CONSUMER GOODS(82) | 3735.92 | +0.1 | 3731.55 | 3697,54 | 3695.00 | 3397.78 | 3.79 | 1.84 | | 123,46 | |
| 32 Alcoholic Beverages(8) | 2779.36 | +0.2 | 2773.32 | 2756.BD | 2778 AL | 2075 17 | 4.57 | 1.63 | | 91.86 | 10-0 |
| 33 Food Producers(25) | 2582.38 | -0.8 | 2598.23 | 2602.05 | 2595.18 | 2497.73 | 4.07 | 1.86 | | 82.96 | 1100 |
| 34 Household Goods(15) 36 Health Care(20) | 2721.22 | +0.1 | 2713.18 | 2684.55 | 2684.41 | 2581.59 | 3.74 | 2.26 | 14.81 | 64.97 | 1047 |
| 37 Pharmaceuticala(13) | 2035.67 | -0.4 | 2043.21 | 2048.91 | 2058.13 | 1982.82 | 271 | 1.96 | 23.56 | 42.70 | 1949 |
| 36 Tobacco(1) | 5800.54 | +0.8 | 5754.99 | 5646.02 | 5610,65 | 4485.72 | 2.91 | 2.06 | 20.84 | 182.63 | 2001 (|
| | 3604.36 | -2.0 | 3676.36 | 3714.48 | <u>3778.01</u> | 4481.10 | 7,27 | 2.08 | 8.36 | 262.07 | 928.1 |
| O SERVICES(255) | 2581.98 | -0.2 | 2566.57 | 2564.84 | 2573.17 | 2176.72 | 2.89 | 1.97 | 21 05 | 69.43 | 1000 |
| 11 Distributors(31) | 2832.00 | -0.8 | 2850.07 | 2852.22 | 2840.74 | 2754.51 | 3.04 | 1.99 | 20.69 | 73.30 | 1350.4 |
| 2 Laisure & Hotels(25) | 3141.63 | +0.2 | 3134.54 | 3126.75 | 3153.78 | 2484 00 | 2.77 | 2.03 | 22 17 | 172.03 | 1 JOSE (|
| 3 Media(45) | 4360.29 | +0.1 | 4354.89 | 4348.79 | 4364.30 | 3345 BB | 2.08 | 2.04 | 29 27 | 87.14 | 1504.C |
| 14 Retailers, Food(15) 15 Retailers, General(45) | 1928.94 | -0.3 | 1934.70 | 1942, 18 | 1959.91 | 2112.98 | 4.08 | 2.37 | 12.99 | 63.49 | 1247 |
| 7 Breweries, Pubs & Rest.(23) | 2114.72 | -0.8 | 2126.51 | 2123.76 | 2130.05 | 1800.95 | 3.03 | 2.08 | 18.83 | 54.80 | 1224 2 |
| 18 Support Services(49) | 2547.31 | -0.5 | 3113.24 | 3117.46 | 3111.85 | 2593.07 | 3.30 | 1.98 | 19.18 | 68.21 | 1502 2 |
| 9 Transport(22) | | -0.3 | 2555.04 | 2007.10 | 2559.98 | 1848.72 | 1.02 | 2.30 | 28.23 | 42.53 | 1632 4 |
| | 2001.07 | 70.3 | 2524.53 | 2314.37 | <u>2518.90</u> | 2209.69 | 3.76 | 1.00 | 30.62 | 81.68 | 1075.3 |
| 0 UTILITIES(33) 12 Beatricity(12) | 2268.58 | -0.8 | 2288.64 | 2306.90 ; | 2303.02 | 2575.11 | 5.57 | 1.80 | 12.47 | 158.45 | 0-0- |
| id Gas Distribution(2) | 2334.13 | -1.1 : | 2360.23 2 | 2366.80 : | 2385 77 | 2702 BG | 6.53 | 2.40 | 7.98 | 129.17 | 202.0 |
| 6 Telecommunications(8) | 1342.97 | -0.3 | 1349,99 | 356.14 | 1366.71 | 1753.63 | 8.92 | 0.83 | 16.81 | 66.67 | 704 4 |
| 8 Water(11) | 1924.76 2158.36 | -0.5 | 1933.49 | 959.23 | 1951.13 | 2157.57 | 4.19 | 1.53 | 19.49 | 50.32 | 894 ^ |
| | | -22 | 2207.05 2 | ZIB.00 | <u> 202.47</u> | 2134.60 | 5,37 | 2.31 | 8.47 | 94.85 | 220 7 |
| B NON-FINANCIALS(670) | 2045.95 | | 2046.53 | 2041.30 : | 2041_26 | 1860.76 | 3.76 | 1.83 | | 73.46 | |
| O FINANCIALS(105) | 3185.49 | +0.4 2 | 3172.52 3 | 166.26 | 1176 38 | 2616 76 | 4.16 | _ | | | |
| 1 Benks, Retail(B) | 4565.39 | +0.5 • | 4542.57 4 | 522.54 | 543 30 | 9587 52 | 3.57 | 2.38 | 12.66 1 | 17.83 | 400.1 |
| 2 Banks, Merchant(6) | 3878.68 | -0.8 : | 3709.66 3 | 719.48 : | 7718 ne | 3831 00 | 2.83 | 2.71 2.85 | 11.63 1 | 174.00 1 | 525 E |
| 3 Insurance(22) | 1484,39 | +0.2 1 | 1482.08 1 | 1484.94 | 482.88 | 1317 R1 | 5.65 | 2.30 | 0.46 | 91.01 | 182.7 |
| 4 Life Assurance(8) | 3644,39 | +0.7 3 | 3619.63 3 | 835.11 3 | 853 01 | 3038 BE | 4.26 | 1.94 | 45.04 | 60.41 1 | 134.89 |
| 7 Other Financial(20) | 2654.50 | -0.12 | 2657.08 2 | 648.37 2 | 2644 ED | 9999 17 | 4.02 | 1.77 | 15.15 1 | 51.01 1 | 549.48 |
| B Property(41) | 1655.20 · | -0.4 | 647.96 1 | 650.09 1 | 852.67 | 1450.90 | 3.87 | 1.26 | 17.59 | 50.41 1 | 538.3 |
| O INVESTMENT TRUSTS(127) | | | 202.26 3 | | | | _ | _ | 25.67 | 45.59 1 | 034.2 |
| 9 FTSE All-Share(902) | | | | | | | 2.22 | 1,11 | 50,54 | 57.31 1 | 130.17 |
| | 1945.00 | +0.11 | 943,93 1 | 939.20 1 | 940.13 | 1738.89 | 3.78 | 1.92 | 17.20 | 20.02 | |
| SE Fledgling | 1238.92 | , 1 | 238,78 1 | 240.13 1 | 241 47 | 1074 33 | 2.81 | _ | 77 | | U/5.S |
| SE Fledgring ex 11" | 1250.79 | 1 | 250.65 1 | 252.99 1 | 254.89 | 1070.60 | | 0.27 | 77.47 | 27.60 1 | 309.40 |
| | | | | | | | 5.01 | U.45 | 100.08 | 30,22 1 | 323.5 |
| Hourly movements | | | | | | | | | | | |
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| | Open | 8.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Maria. | | | |
|----------------------------------|--|------------------|-------|------------------|------------------|------------------|--------|----------------------------|----------------------------|---|--|--|--|
| FTSE 100 FTSE 250 FTSE 350 | 4401.9 1988.4 | 4399,7 1963.8 | | 4397.8 1964.1 | 4393.8 1962,7 | 4393.2 1965.0 | 1987.5 | 3954,0 4392,4 1970.0 | 3952.5 4392.1 1980.4 | High/day Low/da 3954.0 3934.4 4401.8 4390.4 | | | |
| Time of FISE 100 Da | Time of FTSE 100 Days high: 269 PM Day's low: 11:38 AM. FTSE 100 1995 High: 3977.2 (18/08/96) Low: 3832.2 (18/07/96) . | | | | | | | | | | | | |

| | | | | 1122 | 1.200 | 13,00 | 74.00 | 15.00 | 48 46 | ~- | _ | |
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| M- • • · | | | | | | | | 10000 | 10.10 | C3058 | Previous | Channe |
| Bildg & Chatron | 1163.8 | 1184.1 | 1164.6 | 11 84 8 | 1184 1 | 1166 4 | | | | | | |
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| 11-1-1 | 90002 | 30/02 | 5,6100 | 5666.3 | 5666.4 | 6678.9 | 5704.3 | 5704 S | 5740 4 | | 1100.2 | +1.1 |
| Water | 2187.2 | 2175.9 | 2175.9 | 2160 6 | 9454 4 | 2152 4 | 015-0 | 0,000 | 7/ 10.4 | 5731.3 | 5685,7 2193,5 | +45.6 |
| Barrics, Retail | Appet n | | | 21000 | 21013 | 2132.1 | 2151.7 | 2145.Q | 2142.E | 2149.0 | 0400 - | 770,0 |
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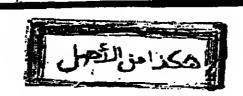
October 2 The October issue of FT-IT will provide a comprehensive update of IT In

retailing, from new in-store applications to the most recent developments in home shopping.

It will also examine the future development of the smart card as the 'electronic-purse' becomes increasingly important throughout the world. it will again be essential reading for everyone involved in IT. whether as user or supplier.

if you would like to obtain back issues of FT-IT, or receive details of our FT-iT subscription service, ring +44 171 5388288. And don't forget to input Wednesday October 2. into your memory.

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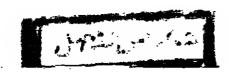
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MOEX FUTURES

■ CAC-40 (266 x Index)

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| FINANCIAL TIMES TUESDAY OCTOBER 1 1996 * | NASDAQ NATIONAL MARKET 4 per class September 50 |
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| Please call (02) 548 95 50 for more information. Financial Times. World Business Newspaper. | P. Der Stein 0.13 9 5 55 1/2 91/2 65/2 + 1/2 Detainment 1 783 0 21/2 25/2 1/2 K Swiss x 0.08 20 167 181/2 10 103/2 1/2 Print Part 22 496 141/2 137/2 141/2 17/2 1/2 Detainment 15 685 17/2 17/2 17/2 17/2 17/2 17/2 17/2 17/2 |

Dow takes positive line on economy

Signs of continued strength in the economy sent US shares higher at midsession, putting the Dow Jones Industrial Average on course for another closing record high, in splte of some weakness in the bond market and the technology sector, writes Lisa Bransten in New York.

At 1 pm. the Dow Jones Industrial Average was up 31.41 at 5,804.78, the Standard & Poor'a 500 slipped 3.18 at 689.37 and the American Stock Exchange composite added 3.23 at 571.70. Volume on the New York Stock Exchange came to 201m.

Bonds slipped on news that the rate of new homa sales jumped in August, in spite of the run-up in interest rates seen in the early part of this year.

for investors hoping that the Federal Reserve would not raise interest rates this year and helped to intensify the focus on data on September employment, due out on Fri-

Technology shares were mixed on the heels of Microsoft's warning, late on Friday, that its operating margins might decrease next composite index was off 2.24 year, which sent jitters at 5,298.81. through some technology companies. Tha technology Nasdaq composite added 0.97 at 1,231.04 and the Pacific Stock Exchange technology index was 0.4 per cent stronger.

largest company on the Nas- added 30 cents to C\$27.70.

Intel, the Nasdaq's second largest company, fell \$% to

Sevsral large technology companies managed gains. IBM, which is a component of the Dow, added \$1% at \$1261/2. Hewlett-Packard rose \$11/4 at \$48%, Texas Instruments climbed \$1% at \$55% and Dell Computer sdvanced \$2¼ at \$78¼.

Shares in ADT fell \$% or 4 per cent to \$19 on news that plans to merge with Republic industries had been terminated. The shares, which had fallen in recent sessions on rumours that the deal might fall apart, were at \$19 the day before Republic launched its bid for the company. Shares in Republic added \$1% or 7 per cent at

Boise Cascade added \$1% That news was unsettling or 4 per cent at \$33% on news that it had agreed to sell part of its coated paper business to Mead for sbout \$650 in cash. Mead shares added \$\% at \$59 on the news.

TORONTO moved lower during morning trading, pushed down by the shakeout in gold shares which left the golds index 1.5 per cent lower. At noon, the TSE-300

Dull sentiment affected most industrials. Alcan dipped 5 cents to C\$40.95 and Seagram fall 40 cents to C\$51.60. Northern Telecom put on 30 cents to C\$79.80. and banks also improved. Shares in Microsoft, the Toronto Dominion Bank

Caracas slows down

after Friday's record-setting 5.3 per cent surge and by midsession the IPB index was 9.40 weaker at 5,441.12. Analysts noted that

although foreign investors' appetite for local equity had slackened, they were still buyers during the morning session; this helped to sup-

MEXICO CITY edged back in cautious trade ahead of

CARACAS paused for breath third quarter results and in response to a mixed performance by the market heavyweights. The IPC index at midsession was 2.10 easier at 3,234,69,

SAO PAULO held steady as investors awaited Thursday's municipal poll, which some analysts saw as a referendum on the president's popularity. By midsession the Bovespa index was 82 weaker at 64.507.

MARKETS IN PERSPECTIVE

| | ₩ 0 | hango la loc | Ť | sterling † | uss+ | |
|--------------|--------|--------------|--------|------------------|------------------|------------------|
| _ | 1 Week | 4 Weeks | 1 Your | Start of 1996 | Start of 1986 | Start of 1996 |
| Austria | +0.62 | +1.20 | +8.10 | +8.60 | +1.25 | +1.99 |
| Belgium | +0.32 | +4.51 | +18.72 | +10.92 | +3.28 | +4.03 |
| Denmark | -0.06 | +2.81 | +18.92 | +17.05 | +10.07 | +10.87 |
| Finland | +2.00 | +1.66 | -12.94 | +19.84 | +13.33 | +14.14 |
| France | +1.03 | +5.95 | +18.80 | +15.00 | +8.38 | +9.17 |
| Germany | +0.64 | +4.25 | +19.39 | +15.69 | +7.86 | +8.84 |
| Ireland | +2.61 | +6.47 | +23.73 | +18.65 | +17.77 | +15.62 |
| Italy | +8.1a | +6.18 | -1.83 | +3.58 | +7.22 | +7.99 |
| Netherlands | +0.83 | +4.29 | +24.68 | +17.45 | +9.33 | +10.11 |
| Norway | +0.35 | +5.15 | +11.11 | +12.86 | +8.25 | +9.73 |
| Spain | +2.28 | +4.46 | +25.07 | +15.39 | +8.48 | +8.25 |
| Sweden | +1.39 | +4.68 | +15.37 | +21.25 | +20.32 | +21.19 |
| Switzerland | +0.22 | +1.51 | +22.36 | +11.38 | +1.32 | +2.05 |
| UK | -0.49 | +1.60 | +12.98 | +7.34 | +7.34 | +8.11 |
| EUROPE | +0.60 | +3.27 | +16.06 | +11.72 | +7.64 | +8.41 |
| Australia | +2.31 | +0.81 | +6.41 | +2.24 | +8.05 | +8.82 |
| Hong Kong | +1.24 | +4.34 | +18.92 | +15.18 | +14.34 | +15.17 |
| Japan | +2.07 | +5.58 | +11.92 | +2.49 | -5.28 | -4.60 |
| Malaysia | -0.15 | +1.92 | +12.66 | +14.77 | +15.36 | +16.19 |
| New Zealand | -0.65 | -0.03 | +3.97 | +1.68 | +8.18 | +8.96 |
| Singapore | -0.76 | +0.43 | +8.43 | -1.41 | -1.67 | -0.96 |
| Canada | +0,31 | +3.81 | +18.53 | +14.20 | +13.39 | +14.21 |
| USA | -0.06 | +5.18 | +17.63 | +11.36 | +10.56 | +11.36 |
| Mexico | -2,47 | -2.11 | +35.96 | +16.51 | +18.20 | +18.05 |
| South Africa | -0.36 | +3.46 | +22.62 | +12.05 | -10.56 | -9.92 |
| WORLD INDEX | +0,60 | +4.50 | +15.73 | +9.36 | +5.85 | +6.62 |

FT/S&P ACTUARIES WORLD INDICES

NATIONAL AND

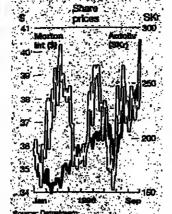
Demand for quality as Paris moves ahead | Consolidation following last week's highs. Turnover fell again, from DM6.7bit to again, from DM6.7bit to again, from DM6.7bit to september derivatives unitracts known derivatives unitracts and an upbeat explicit specific specifi

contracts kept PARIS moving forward in good two-way volume.

Demand for quality stocks took LVMH, Saint Gobain 37 and Carrefour up by more than 2 per cent each with gains of FFr22 to FFr1,121, FFr14 to FFr700 and FFr65 to FFr2.899 as the CAC-40 index rose 25.76 to 2,132.81. Renault rose FFr1.10 to FFr123.1 ahead of this week's opening of the Paris motor show, at which tha car maker is launching two new models.

The suspension of trading in Eurotunnel caused some bank shares to wobble nervously. Among those beavily axposed to Eurotunnel debt. BNP put on FFr2.60 to FFr195.50, but Crédit Lyonnais shed FFr5.90 to FFr134. Société Générale, meanwhile, fell FFr6 to FFr571 following a downgrade from Merrill Lynch, which moved

from accumulate to neutral. STOCKHOLM was enlivened by merger news which drove Autoliv, the car safety group, 21 per cent higher at one stage as otherwise quiet trade left the Affärsvärlden General index 2.2 weaker at



2,091.3. Autoliv soared to a high of SKr304 before turning back to close SKr33 better at SKr286 on unexpected naws that the company planned to merge with the safety airbag operations of Morton International of the

Mr Christian Diebitsch at Paribas Capital Markets said that the merger was seen as very positive for both companies. Important synergies would be available in the manufacture of components presence of both companies sales operations in Europe

while the merger would also enhance significantly the

FRANKFURT extended its

cent in September, and almost 18 per cent over the first nine months of 1996.

However, traders noted that foreign investors were making friendly noises about German equities, Salomon Brothers, in a recent study. saw the market "at the dawn of a new era" and put its Dax target at 3,050 for the end of 1997; HSBC James Capel maintained an overweight rating on the sector: and CS First Boston, upgrading Germany from underweight to overweight, beliaved that the country would be "the shareholder value success story of the

next five years". MILAN overcame profittaking as a positive view of the Italian budget proposals reasserted itself. The Comit index finished 2.53 higher at 635.79.

Eni, the enargy group, gained L111 to L7,802, in demand ahead of the government's placement of a second tranche at the and of this month. Olivetti rose L30.1 to L558 as investors awaited official half year earnings details later in the

expectations of further

deregulation in the industry.

rose 97.16 to 22,267.90 in vol-

ume of 53.2m shares

In Osaka, the OSE average

HONG KONG finished at

its highest level since Febru-

ary 4. 1994 on an improved

outlook for interest rates

and upward revisions in cor-

The Hang Seng index rose

143.04 to 11,902.43 in active

turnover of HK\$6bn. Proper-

ties led the market for most

of the day, with a gain of 1.9

Cheung Kong added HK\$2 to

HK\$59.50. Sun Hung Kal

Properties was also at peak

levels, putting on HK\$1.50 to

SYDNEY closed higher as

HK\$82.25 ahead of tomor-

The actively

row's annual results.

per cent.

porate earnings forecasts.

FTSE Eurotrack 200 1775.10 1774.72 1774.26 1773.38 1774.35 1776.54 1779.80 1780.43

Sep 24 Sep 23 Sep 27 Sep 26 Sap 25 1711.38 1760.67 1898.31 1777.18 1767.89 Base value 1000 (26/10/90; Highway: 100 - 17/5/20; © FTSC International Located 1996. All digits consent

day, ahead of meetings with balf of the Anglo-Dutch analysts in Milan and London later in the week.

Benetton, the retailer, lost Leon to L17,150 amid confusion over reports that Benetton Sportsystem, the sporting equipment company which is a subsidiary of Edizione and not of the quoted clothing group, might soon be floatad in New York.

AMSTERDAM hit another all-time high but volume was low and trading was said to be mostly intramarket. The AEX index finished 0.58 ahead at 575.26. KNP BT continued to slide

as traders digested Friday's news of retrenchment with the group's paper operations. The shares shed Fl 1.60 to F139.80 for a two-day decline of F12. Unilever came off Fl 2.40 to

Fl 268.80 after a leading London broker turned seller on Unilever Limited, the UK

for the end of the September

quarter, and on talk of an

interest rate cut by the

The All Ordinaries index

National Bank of Australia.

gained 7.4 at 2,290.4.

Resource stocks were mixed.

CRA added fiva cents to

A\$19.00, but BHP eased 15

cents to A\$16.20, Coles Myer.

the big retailer, dipped two

cents to A\$4.59 ahead of

WELLINGTON moved

steeply lower after a large

seller was said to bave

entered the market. The

NZSE 40 capital index ended

showing by the government

ahead of the October 12 elec-

tion, and end-quarter buy-

In spite of a solid poll

31.76 off at 2,190.26.

today's full year results.

ber 100 - 1720.68 200 - 1773.05. † Pental. SFr12 higher at SFr1,207.

foods to detergents giant. Media stocks were in demand. VNU rose Fl 1.50 to F133.30 and Wolters Kluwer gained F1 6.30 to F1 213.80.

ZURICH overcame early lethargy and the SMI index pushed through resistance around the 3,700 point level as blue chips and dollar sensitiva shares carried the market higher. The SMI index finished 39.8 up at

Rocha certificates rose SFr105 to SFr9,235 after the company announced a collaboration agreement to develop and markat treatments for viral infinenza. Ciba rose SFr18 to SFr1.604 and Sandoz was up SFr17 at SFT1,506 as the companies pressed ahead with their lanned merger

Elektrowatt, the building controls and power group. recounsed most of its early

similar amount to NZ\$3.15.

KUALA LUMPUR's small

capitalisation stocks tum-

bled by 4.7 per cent as inves-

tors reaped gains made in

recent weeks while blue

chips rebounded slightly in

The Second Board index

closed down 27.99 at 567.59

whila the composite index

Ekran fell 20 cents to

M\$10.80 as investors became

nervous over the postpone-

ment of the signing of the

contract between the com-

pany, Asea Brown Boveri

and Brazil's CBPO for con-

struction of the Bakun

SEOUL feared that foreign-

hydro-electric dam.

dded 4.68 at 1.135.27.

late trading.

with Motor Columbus drove

both stocks higher last week Financials were mostly higher. UBS overcame tech-nical resistance to finish

OSLO moved lower follow ing a profits warning from the energy giant and market leader, Norsk Hydro. The Oslo total index closed off 5.41 at 839.85.

In a debt issue prospectus. Norsk Hydro said that dull aluminium prices plus a possible North Sea write-off would hit second half 1998 profits. The shares ended off NKr8.50 at NKr304.50.

TEL AVIV followed s. two-day tumble of 6.3 per cent, following clashes between Palestinians and: Israeli troops in which nearly 70 people were killed. with a technical correction which laft the Mishtamim. index 2.44 higher at 186.72 However, sentiment was mixed some traders saying that the mood of the market was still distinctly negative.

Written and edited by William Cochrane, Michael Morgan and

was lifted today. The com-

posite index ended 3.54 down

at 789.67, off a high of 804.68.

Yukong closed at its upper-

limit of Won21,000, up.
Won1,100 on news that it

ter for cars.

Won522,000.

had designed an emission fil-

Korea Mobile Telecom,

which does not have shares

available for further foreign

BOMBAY was weak but

off its lows as investors cov-

ered short positions after the

criminal court postponed a

bearing involving Mr P.

V. Narasimha Rao, the for-

next week. The BSE-30 index

ended 14.22 down at 3,240.51

after a low of 3,205,23.

mer prime minister, until:

investment, fell Won18,000 to

Among individual stocks,

and Carter Harvey Holt fell a eign shareholdings ceiling

Twist in Thai political tale lifts Bangkok 4.9%

ASIA PACIFIC

The latest twist in the Thai political story sent BANG-KOK shooting ahead. At the close, the SET index stood at 1,099.01, up 51.06 or nearly 5 per cent after news that Thailand goes to the polls on November 17.

Turnover leapt to Bt13.3bn compared with last week's daily average of around Bt4bn, 8uying was described as across the board. "There are signs that longer term investors have begun to step back into the market," said one analyst.

The date for the general election was set on Friday wben Mr Banharn Silpaarcha, the prime minister. dissolved parliament and resigned

TOKYO fought off profit taking pressure to register its fifth consecutive day of gains, writes Gwen Robinson, The Nikkei 225 average, however, rose by a mere 9.39 between 21,494.31 and

High technology and telecommunications stocks drew buying interest from foreign investors encouraged by the continuing strength of the dollar against the yen and government plans for further deregulation in the communications field.

Real estate-related issues benefited from expectations that the coming election will result in specific measures by the next government to support property prices.

Shares in Johannesburg fell

sharply on the back of a

weak bullion price and

investor disappointment

with the August trade fig-

Industrials fell 48.6 to

a,130.6 and golds came off

Golds fared badly. The

43.3 at 1.653.7.

market goes into the second half of the current fiscal year, real estate, high technology and telecommunications were emerging as the

"three main pillars" of investor interest The Topix index of all first-section stocks rose 5.30 to 1,627,55 and the capitalweighted Nikkel 300 index by 1.26 at 304.67. Volume fell from 350.6m shares to an estimated 268m. Advances led declines by 586 to 432 with 214 unchanged. in London, the ISE/Nikkei

Traders noted that many domestic institutional investors stayed on the sidelines as corporate books were closed at the end of tha first half of the fiscal year. However, aemiconductor-

index rose 1.77 to 1,471.96.

related issues sustained last week's strong buying interest, particularly among foreign investors encouraged by the continuing strength to 21.556.40 after moving of the dollar against the yen and favourable business sales for chips in foreign markets.

Toshiba, the most active stock for the second day in succession, rose a further Y7 to Y771. Mitsubishi Electric advanced Y20 to Y760, Oki Electric Industry Y14 to Y763, and Sony Y30 to Y7,030.

Among property developers, Mitsubishi Estate gained Y20 to Y1,530, and Mitsui Fudosan Y20 to Y1,480. Telecommunications issues such as NTT, DDL, and NTT Data

through \$380 at the close in

London, and there was said

to have been s significant

run on gold mining shares.

Freegold shed R1.75 to

Among non-golds, Stanbic

retreated R6 to R187 and

Nampak came off 40 cents to

R19.50. Amic closed R4

S Africa dips on weak gold

ures. The overall index R43.25 and Vaal Reefs came

closed down 55.2 at 6,878. off R10 to R370.

bullion price dipped down lower at R160.

shareholder information

1.9 billion

ing, leading stocks fell ers would not jump into the

across the board. NZ Tele- market as actively as origi-

benefited from investor investors squared portfolios com shed 13 cents to NZ\$6.72 nally hoped when the for-

The first six months of 1996 were highlighted by the solid earnings posted by non-life insurance operations, and the excellent performance of American financial services subsidiaries.

Consolidated net income (including minority interests) stood at FF 3.041 billion, while net income, Group share totalled FF 1.977 billion, for a year on year increase of 51.8%.

Strong Earnings Growth:

Several factors contributed to this growth:

solid earnings in non-life insurance operations posted in France, and significant increases in most other countries as well;

significant earnings growth recorded by American financial services subsidiaries Donaldson Lufkin & Jenrette and Alliance Capital; consolidation of Australian group National

Mutual in 1996 half-year financial statements; It should be noted that these results were obtained despite:

an exceptional charge resulting from a change accounting principle at the US life segment, start-up costs related to the development of

life operations in Japan, and non-life direct selling operations in Germany and France.

Contribution to net income, Group share by activity

| in millions of French Francs | 30.6.95 | 30.6.96 | | | | | | | | | | |
|---------------------------------|---------|---------|--|--|--|--|--|--|--|--|--|--|
| Life insurance | 555 | 504 | | | | | | | | | | |
| Non-tife insurance | 320 | 610 | | | | | | | | | | |
| Reinsurance | 193 | 221 | | | | | | | | | | |
| Financiai services | 397 | 618 | | | | | | | | | | |
| Holding companies | (163) | 24 | | | | | | | | | | |
| Total | 1,302 | 1,977 | | | | | | | | | | |

Revenue growth

In the first six months of 1996, AXA S.A. revenues were up 23.1%, totalling FF 81.9 billion. This increase can be attributed largely tothe incorporation of National Mutual into the scope of consolidation for the 1996 half-year financial statements. On a comparable structural, accounting and currency basis, revenues increased by 8.7%,

Breakdown in revenues

by activity (in billions of French Francs)

Non-life insurance



Net earnings per share

Net earnings per share rose 33.1% year on year, to 10.57 French Francs.



The results are available on INTERNET: http://www.axa.com.

| show number of lines | DOME | Change | Sterling | Yen | DM | Currency | | Div. | Doller | Sterling | Yen | DM | Currency: | 52 week: | 52 week | 800 |
|-------------------------|---------|--------|----------|---------|--------|-----------------|--------|-------|--------|----------|--------|--------|-----------|--------------------|---------------|----------|
| of stock | Index | % | Index | index | Index | Index | Or day | Yield | Index | Index | Index | Index | Index | Hìgh | Low | (approx) |
| | 206.80 | 0.4 | 196.07 | 144.86 | 163.88 | 173.71 | 0.5 | 4.38 | 205.90 | 195.37 | 143.68 | 162.89 | 172.84 | 212.15 | 179.77 | 183.82 |
| Austria (24) | .178.00 | 0.2 | 168,76 | 124,68 | 141.08 | 140.96 | 0.4 | 1.86 | 177.62 | 168.53 | 123,93 | 140.52 | 140.41 | 195.04 | 166.11 | |
| Belgium (27) | 217.57 | -0.3 | 206.2S | 152.41 | 172.42 | 166.37 | -0.1 | 3.96 | 218.22 | 207.06 | 152.26 | 172.63 | 168.47 | 218.69 | 190.88 | |
| Brazil (28) | .1S1.62 | -1.3 | 172.20 | 127.22 | 143.93 | 341.20 | | 1.90 | 184.03 | | 128.40 | 145.59 | 345.58 | 189.70 | 123,97 | 149.27 |
| Canada (117) | 169.53 | 0.1 | 160.73 | 118.75 | 134.34 | 167.42 | -0.1 | 213 | 169.29 | | 118.12 | 133.93 | 167.66 | 166.95 | 134,14 | 143.48 |
| Denmark (30) | .320.15 | -0.2 | 303.53 | 224.25 | 263.70 | 254.77 | -0.1 | 1.80 | 320.77 | | | | | 321.85 | 275.86 | 281.65 |
| Finland (23) | 213.53 | 0.4 | 202.45 | 148.57 | 169.21 | 204.30 | | 2.44 | 212.70 | | 148.41 | | | | 171.73 | 257.97 |
| France (93) | | 0.0 | 185.70 | 137.20 | 155.21 | 158.28 | 0.1 | 3.07 | 195.93 | | 138.70 | | | | 167.70 | |
| Germany (58) | 177.83 | -0.5 | 168.60 | 124.57 | 140.92 | 140.92 | -0.3 | 1.74 | 178.73 | | 124.71 | | | | 155.66 | |
| Hong Kong (59) | 446.50 | 0.0 | 429.33 | \$12.79 | 353.83 | 443.31 | 0.9 | 3.45 | 442.44 | | 308.70 | | | 451.18 | 354.67 | 375.54 |
| Indonesia (27) | 205.02 | -0.7 | 194.38 | 143.61 | 162.47 | 291.83 | -0.7 | 1.65 | 206.35 | | 143.86 | | | | - | - |
| Ireland (16) | | 1.5 | 287.35 | 212.30 | 240.1S | 266.52 | 1.3 | 3.37 | 299.24 | | 208.79 | | | 303.08 | 241,27 | |
| Italy (58) | 79.59 | 3.7 | 75.46 | 55.75 | 63.07 | 90.48 | 3.6 | 2.38 | 76.78 | 72.85 | 53.57 | 60.74 | | 64.53 | 67.22 | |
| Japan (481) | | 0.8 | 140.14 | 103.54 | 117.14 | 103.54 | 0.7 | 0.74 | 147.43 | | 102.88 | | | | 137.75 | |
| Maleysia (107) | 583.85 | -0.1 | 534.41 | 394.82 | 446.67 | 544.44 | 0.0 | 1,21 | 563.93 | | 393.47 | | | 585.08 | 425,77 | |
| Mexico (19)1 | 233.12 | | 1169.13 | 863.77 | | 10166.28 | 0.3 | 1.32 | | 1166.39 | | | 10133.88 | | | 1070.23 |
| Netherland (19) | 300.30 | -0.1 | 284.72 | 210.35 | 237.98 | 234.35 | 0.1 | 3.13 | 300.52 | | 209.68 | | | | 251,81 | |
| New Zealand (15) | 86.80 | -0.5 | 82.29 | 60.80 | 68.78 | 85.78 | -0.6 | 4.17 | 87.25 | 82.79 | 60.88 | 69.03 | | S7.62 | 75.94 | 78.23 |
| Norway (35) | 253.79 | -0.2 | 240.62 | 177.77 | 201.12 | 223.85 | -0.1 | 2.28 | 254.34 | 241.34 | 177.46 | | | 258.94 | <u>222.24</u> | 235.03 |
| Philippines (22) | | -0.6 | 193.30 | 142.81 | 161.56 | 266.70 | -0.S | 0.61 | 205.05 | 194.56 | 143.07 | | | - | - | - |
| Singapore (44) | 403.31 | -0.1 | 382.38 | 282.51 | 319.61 | 261.71 | -0.1 | 1.07 | 403.79 | 383.14 | | 319.44 | | | 361.94 | |
| South Africa (44) | | 0.1 | 329.10 | 243.14 | 275.07 | 344.02 | 0.1 | 2.23 | 346.74 | 329.00 | 241.93 | 274,31 | 343.77 | 437.7 6 | 314.20 | 351.97 |
| Spain (37) | 180.47 | -0.6 | 171,10 | 126.41 | 143.01 | 175.20 | -0.5 | 3.35 | 181.48 | 172.20 | 126.62 | 143.57 | | 183.85 | 145,15 | 150.15 |
| Sweden (46) | | 0.7 | 358.59 | 264.93 | 299.72 | 371 <i>.</i> 26 | 0,4 | 2.31 | 375.75 | 356.53 | 262.17 | 297.26 | 389.92 | 378.22 | 294.18 | 310,35 |
| Switzerland (37) | 240.82 | -0.5 | 228.32 | 168.69 | 190.84 | 187.51 | -0.1 | 1.67 | 241.61 | 229,54 | 168.79 | 191.38 | 187.71 | 254.34 | 214.08 | 214.86 |
| Thalland (45), | 138.08 | -0.7 | 130.92 | 96.73 | 109.43 | 136.22 | -0.S | 2.52 | 139.04 | 131.93 | 97.01 | 110.00 | 137.10 | 193.96 | 128.90 | 163.22 |
| United Kingdom (200) | 249.24 | 0.4 | 236.30 | 174,58 | 197.51 | 238.30 | 0.3 | 4.05 | 248.30 | 235,60 | 173,24 | 196.43 | 235.60 | 250.30 | 220.85 | 221.61 |
| USA (623) | | 0.0 | 265.27 | 195.99 | 221,72 | 279.79 | 0.0 | 2.12 | 279.89 | 265.39 | 195.15 | 221.27 | 279.69 | 279.95 | 236.38 | 237.85 |
| Americas (787) | 255.84 | 0.0 | 242.58 | 179.21 | 202.74 | 215.10 | 0.0 | 211 | 255,76 | 242.68 | 178.45 | 202.34 | 215.08 | 256.00 | 215.17 | 217.38 |
| Europe (705) | 217.77 | 0.2 | 206.47 | 152.54 | 172.58 | 189.82 | 0.2 | 3.02 | 217.37 | 206.25 | 151.66 | 171.96 | 186.37 | 216.1S | 191.44 | 193.53 |
| Nordic (138) | 323.19 | 0.4 | 306.42 | 226.38 | 256.11 | 278.81 | 0.2 | 2.24 | 321,90 | 305,43 | | | 278.21 | 323.1S | 261.13 | |
| Pacific Basin (878) | | 0.3 | 153.70 | 113.56 | 128.47 | 115.26 | 0.6 | 1.20 | 151.66 | 153.39 | 112.79 | 127.89 | 114.57 | 177.01 | 148.86 | 156.82 |
| Euro-Pacific (1583) | | 0.2 | 175.56 | 129.71 | 146.74 | 143,40 | 0.4 | 2.09 | 184.74 | 175.29 | | | | 190.57 | 166.51 | 172.02 |
| North America (740) | | 0.0 | 258.90 | 181.28 | 216.40 | 272.34 | 0.0 | 2.12 | 272.96 | 259.00 | 190.45 | | | 273.13 | 230.17 | 232.02 |
| Europe Ex. UK (505) | | 0.1 | 185.80 | 137.27 | 155.29 | 162.65 | 0.2 | 2.45 | 195.81 | 185.80 | 136.62 | | | 196.73 | 170.51 | 174.05 |
| Pacific Ex. Japan (397) | 201.58 | 0.4 | 276.43 | 204.23 | 231.05 | 251.4S | 0.4 | 2.95 | 290.52 | 275.66 | 202.71 | 229.84 | 250.54 | 296.68 | 243.59 | 257.29 |
| World Ex. US (1791) | 188 77 | 0.2 | 177.08 | 130.83 | 148.01 | 148.21 | 0.4 | 2.09 | 186.35 | 176.83 | 130.03 | 147.43 | 147.65 | 191.55 | 167.36 | 173.00 |
| World Ex. UK (2214) | | 0.1 | 201.46 | 148.84 | 168.39 | 181.04 | 0.2 | 1.91 | 212.25 | 201.39 | 148.09 | 187.91 | 180.63 | 213.05 | 185.61 | 190.06 |
| World Ex. Japen (1933) | | 0.1 | 239.26 | 178.77 | 199.98 | 238.74 | 0.1 | 2.48 | 252.08 | 239.20 | | 199.43 | | 252.36 | | 219.00 |
| C1893) | ون.عت | 0.1 | 20020 | 170.77 | 194.50 | 200./4 | | 4,40 | | 20820 | 173,08 | 158.43 | - ADAI | 202.30 | 217.20 | 219.00 |

The World Index (2414),...,215.68 0.1 204.46 151.08 170.92 186.04 0.2 2.10 215.38 204.36 150.27 170.39 185.62 215.86 188.87 192.83

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